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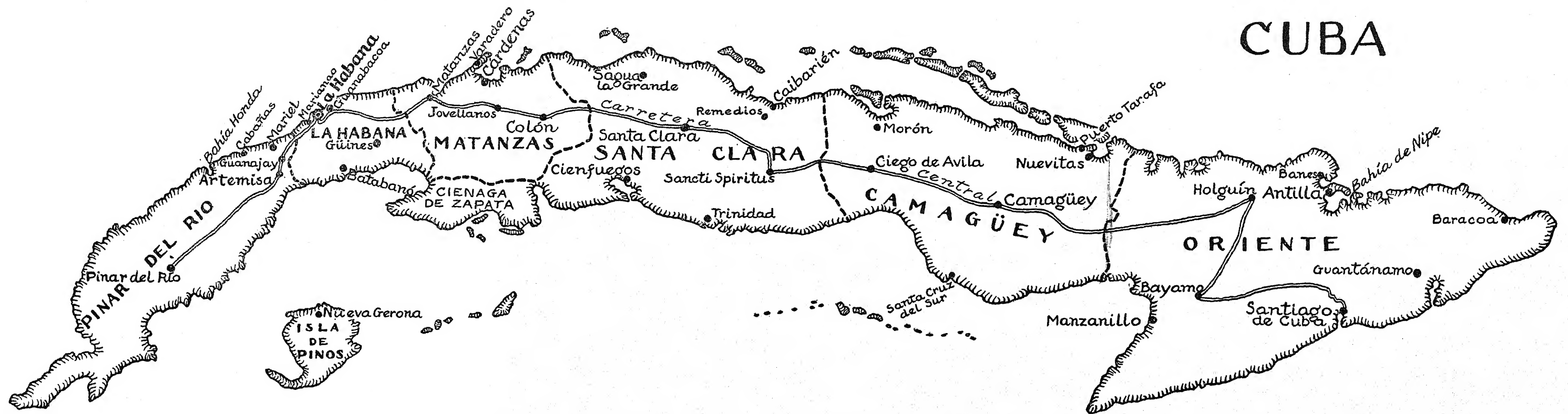
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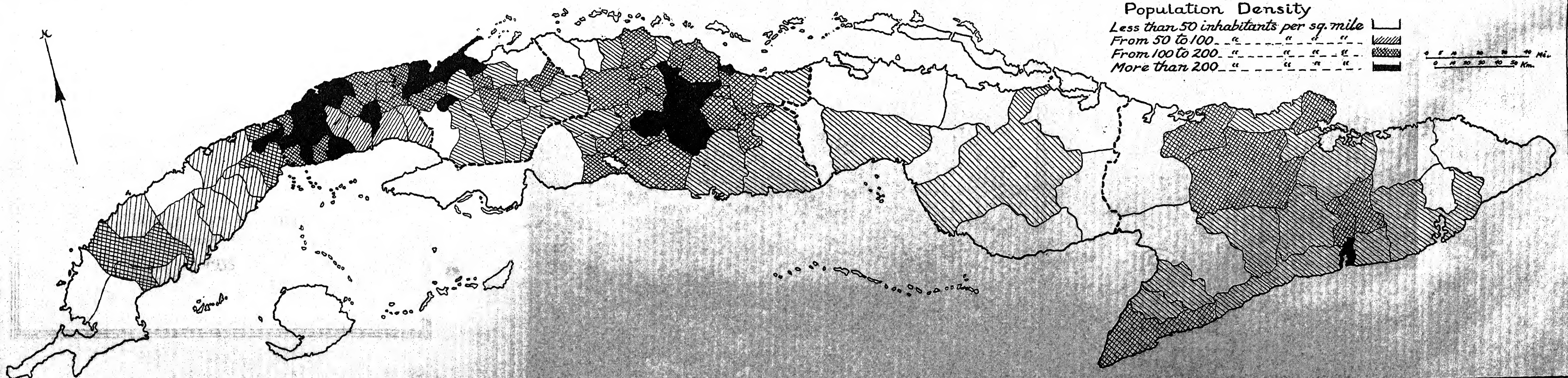
CUBA



Population Density

Less than 50 inhabitants per sq. mile
 From 50 to 100 " " "
 From 100 to 200 " " "
 More than 200 " " "

0 10 20 30 40 50 Miles
 0 10 20 30 40 50 Km.



PROBLEMS OF THE NEW CUBA

Report of the
COMMISSION ON CUBAN AFFAIRS

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INCORPORATED

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INTRODUCTION

The Commission on Cuban Affairs was organized in response to an invitation extended on March 28, 1934 by President Carlos Men-dieta to the president of the Foreign Policy Association, a non-governmental body devoted to education and research. Accepting the invitation on the understanding that the Commission would be wholly unofficial in character and would work in complete scientific independence, the Foreign Policy Association selected the following members for the Commission on Cuban Affairs:

Raymond Leslie Buell, President of the Foreign Policy Association (Chairman).

Frank Whitson Fetter, Associate Professor of Economics, Haverford College.

Frank Dunstone Graham, Professor of Economics, Princeton University.

Ernest Gruening, formerly editor of *The Nation*, Member of the Board of Directors, Foreign Policy Association.

Helen Hall, Director of Henry Street Settlement, New York.

Leland Hamilton Jenks, Professor of Social Institutions, Wellesley College.

Wilson George Smillie, M.D., Professor of Public Health Administration, Harvard University.

Charles A. Thomson, specialist in Latin American affairs of the Foreign Policy Association (Secretary).

Lester MacLean Wilson, Professor of Education, Teachers College, Columbia University.

Milburn Lincoln Wilson, Director of Division of Subsistence Homesteads, Department of the Interior, Washington.

Carle Clark Zimmerman, Associate Professor of Sociology, Harvard University.

The first members of the Commission arrived in Cuba in May and the others followed a few weeks later. After visiting every province, including the Isle of Pines, the Commission returned to the United States on July 23. The members then separated to write draft chapters of the report. The Commission re-assembled on September 10 at Richmond, Massachusetts, for a week's intensive work on the report.

The Commission visited Cuba at a time when careful investigation was rendered unusually difficult. The recent revolution had destroyed many records and thrown government offices into confusion. The prolonged political crisis which marked our stay further increased the task of obtaining access to official sources of information. In view of the troubled period through which Cuba is now passing, the Com-

mission believed that prompt completion and publication of the present document was of greater importance than the preparation of a more detailed report over a longer period of time. While a number of investigations have been conducted in the past into particular phases of the Cuban situation and have proved useful to the Commission, no body of information at all has hitherto been available with respect to several fields which the Commission has studied. We hope, therefore, that the accompanying report will serve not only to stimulate discussion as to the solution of immediate problems, but also open up fields of social and scientific investigation which may later be plowed more deeply by others, Cubans and Americans alike.

Originally it was intended to have Cuban members on the Commission. But as a result of unexpected political developments and the advice of numerous representative Cubans, the character of Cuban participation in the work of the Commission was changed from a basis of active membership to that of private and non-official cooperation. Leaders of political groups, both those which supported and those which opposed the government, warmly endorsed this study. In this connection the Commission wishes to express its gratitude not only to government officials, but also to the scores of Cubans representing every walk of life who gave generously of their time, counsel and assistance. It wishes also to thank a large number of business organizations who went to great pains to provide the Commission with data. Only the aid of these groups made it possible to surmount the handicaps caused by existing conditions and to complete the report.

Throughout the course of its work the Commission has endeavored to keep two objectives in view. The first was to assemble from all available sources the relevant facts of Cuban life; the second to outline certain possible solutions for the principal economic and social problems of the country. No attempt is made in this report to speak in terms of finality or to advance novel suggestions. Nearly all the proposals set forth in the following pages have been previously made by Cubans themselves. The primary advantage of this report is that it has been prepared by people who have long studied economic and social questions, are deeply interested in the future of Cuba and have been able to approach its problems with a relative degree of detachment.

While the conclusions of this report have been the result of common discussion and agreement, subject to reservations made in the

text, primary responsibility for the collection and analysis of data rests on individual members as follows: Mr. Fetter, public finance and public debt; Mr. Graham, currency, credit and diversification; Mr. Gruening, public utilities; Miss Hall, social welfare; Mr. Jenks, sugar; Dr. Smillie, public health; Mr. Thomson, labor; Mr. Lester Wilson, education; Mr. Milburn L. Wilson, soil, forestry and agricultural questions; Mr. Zimmerman, family organization, standards of living and rural life.

The Commission is indebted especially to Prof. Joseph P. Chamberlain and Paul U. Kellogg of the Board of Directors of the Foreign Policy Association, and to Dr. Fernando Ortiz and Dr. Herminio Portell Vilá of Cuba for reading the manuscript and offering many useful criticisms; Dr. C. Arias Delgado of the Cuban Department of Agriculture and Dr. Ventura Dellundé for many days of tireless effort in Cuba; William T. Stone, vice president of the Foreign Policy Association, for handling many details; Robert S. Huse, Jr., Assistant Secretary of the Commission, Miss Delia Goetz and Miss Laura Chase for conducting a highly efficient secretariat; and Mrs. Vera Micheles Dean and Miss Helen Terry, of the Foreign Policy Association staff, for editing the volume. Finally, the Commission is grateful to the Rockefeller Foundation for meeting all the expenses of the project. Needless to say, the members of the Commission alone are responsible for the contents of this report.

A Spanish edition, entitled *Problemas de la Nueva Cuba*, for circulation in Cuba and other Spanish-speaking countries is being issued simultaneously with the English edition. For the work of translation, the Commission is indebted to Dr. Herminio Portell Vilá and Dr. José Tercero.

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CHAPTER I

THE REVOLUTION

When the people of Cuba rose in August 1933 to drive Machado from the country, they voiced an intense desire not only to free themselves from a personal dictatorship, but to remove the abuses of a political and social system which Machado had come to symbolize. "Revolution" was a word which, following Machado's overthrow, summarized the widespread demand for sweeping reforms in economic, social and political life.

During the past year many of the energies unleashed by the revolution have been frittered away; revolutionary forces once united for the purpose of overthrowing the *Machadato* are now divided against each other; few of the fine projects outlined in party manifestoes have been carried into effect; the country has entered on a new period of disillusionment, if not pessimism. Our purpose in this chapter is to explain how the revolution of 1933 took place, what hopes it crystallized, and why these hopes have not yet been fulfilled.

In 1895 the people of Cuba went to war to achieve national freedom from the rule of Spain. In 1933 they embarked on a second revolt, to attain economic independence and security, and to free themselves from political misrule.

It is a striking paradox that, as a consequence of its struggle for political independence, Cuba lost control over its economic resources. In comparison with the Latin-American republics which had revolted from Spain, Cuba enjoyed a prosperous existence during the first half of the nineteenth century. Despite the existence of Negro slavery, landownership was quite widely distributed, and in the country this land was largely owned by Cubans.¹

The revolts of 1868 and 1895 brought untold misery and widespread destruction of property throughout the island, while the reconcentration policy applied by the Spanish authorities and the general disturbance produced by fighting led Cuban farmers to abandon their

¹ Jacobo de la Pezuela, *Diccionario geográfico, estadístico, histórico de la isla de Cuba* (Madrid, 1863), Vol. I, p. 59. Also Ramiro Guerra y Sánchez, *Azúcar y población en las Antillas* (Havana, 1927), pp. 47 ff.; *Censo de la República de Cuba, 1919*, p. 124.

homes for the cities. As a result, many lost not only possession but the title to their lands. Before 1894 Cuba had 90,960 farms, a number which had decreased to 60,711 by 1899.

At the end of the war with Spain Cuba was confronted with an army of veterans who needed land, and with a rural population which had become completely disorganized. The American occupation of the island had many commendable features, particularly in the field of education and public health, but the occupation largely ignored the problem of rural reconstruction, as did the Cuban Constitutional Convention of 1900. The United States evacuated the island in 1902, after obliging Cuba to accept the Platt Amendment,² which granted the American government a standing right of intervention in Cuban affairs. In the same year Cuba and the United States concluded a reciprocity agreement which gave each tariff privileges in the market of the other. Both of these agreements served to stimulate the entrance of foreign capital into the Republic.

1. *The Old Economic System*

Until the end of the World War, an economic system based principally on the large-scale production of sugar brought a high degree of prosperity to Cuba. This prosperity reached its peak in the famous "Dance of the Millions" in 1920. Sugar profits went not only to foreign mill-owners and stockholders but also to Cuban mills, *colonos* and cane-cutters. In the following year came a crash. *Colonos* and *centrales* which had borrowed for the purpose of expanding production could not meet their loans and in many cases lost ownership of their properties. Unprotected by adequate reserves, Cuban banks were forced to the wall. As a result foreign capital increased its control over the resources of the island. Today the sugar industry, railways, banks and public utilities are dominated by foreign enterprise.

Backed by seemingly unlimited credit, such enterprise brought about a further expansion of the sugar industry, an expansion which also took place in sugar areas in other parts of the world. The international market soon became glutted; and despite the adoption of the so-called Chadbourne limitation agreement, the price of sugar dropped in the summer of 1932 to an all-time low of 0.57 cents a pound. The future was so dismal that sugar proprietors were unwilling or unable

² The Platt Amendment formed part of the United States Army Appropriation Act of 1901, but was formally embodied in the Permanent Treaty of May 22, 1903.

to borrow sums necessary for replanting and cultivation, and Cuba's vast sugar area began to dry up. In Cuban history, 1932-1933 was as tragic a year as 1897-1898.

Many aspects of Cuba's economic life represent a general system of industrialization which has aroused world-wide protest. There are three major reasons which seem to justify the demand for a change in the old economic system in Cuba. In the first place, the system has proved highly unstable. It is difficult if not impossible to build up a satisfactory kind of society when the country depends almost exclusively on a crop the output and price of which fluctuate widely. José Martí said, as early as 1883: "A people commits suicide the day on which it bases its existence on a single crop." The high prices for sugar obtained at the top swing of the circle may cause as much social damage as the poverty resulting from the opposite extreme. Instability seems to breed improvidence. During the Dance of the Millions the Cubans of all classes expended their income with great prodigality; virtually nothing went into savings or permanent improvements which would have protected living standards.

In the second place, few independent Cuban farmers or business men have made places for themselves under the existing economic system, which has been controlled to a large extent by foreign enterprise. Owing to mechanical progress, the Cuban sugar industry must inevitably be operated on a large scale. In order to supply the capacity of enormous *centrales*, sugar companies have acquired absolute control over thousands of square miles of sugar land. For example, a single corporation, formerly known as Cuban Cane Products Company, controls 771,025 acres of land; the Cuban-American Sugar Company controls approximately 520,600 acres, while the United Fruit Company in Oriente owns 280,760 acres. By contrast, the number of Cuban sugar *colonos* who own their own land is small, and the number of small farms has declined during the past three decades.³

In the third place, the existing economic system has failed to provide a decent living for the Cuban people, nor does it today yield a profit to the capitalist class. At one time the sugar industry paid comparatively high salaries to wage-earners and yielded a relatively high return to the *colono*. But during the past five years the condition of both classes of Cubans has been pitiful. Many *colonos* have worked merely for their living, and have accumulated a debt which in some cases exceeds the value of their land. During 1932 and 1933 the Cuban

³ Cf. p. 51.

cane-cutter often worked for less than 20 or 30 cents a day, and frequently did not receive the sum promised him, or received it in the form of advances on the company store. Owing to the Grau decrees⁴ and to a series of strikes, sugar wages increased so that in the 1934 crop cane-cutters were receiving as high as 80 cents a day. But this sum barely provided them with food and clothing, leaving no surplus for the dead season.

Under the most favorable circumstances, sugar mills grind only four months of the year. The remaining months constitute what is called the dead season, during which some of the sugar fields are supposedly replanted and cultivated and the mill repaired. When the mills are grinding at capacity, they can give employment during the dead season to the larger part of the workers engaged for the crop. But owing to crop restriction and the general economic depression, the grinding season has been shortened—in some cases to less than two months—while the dead season has been correspondingly lengthened. What is even more serious, forty mills have closed down since 1926, and few of the others have been replanting and cultivating during the dead season owing to uncertainty as to the future. As a result, a state of chronic unemployment has been created during nine or ten months of the year among the thousands of Cubans who have depended for their existence on the sugar industry.

In the cities and small towns, where the majority of the population of Cuba lives, it is not possible for the unemployed to grow their own food. The Cuban government has no organized system of unemployment relief, and the cities consequently present many depressing pictures of partial starvation.

In the rural districts during the past thirty years few children have had the opportunity to go to school; today, at least half the people are illiterate. Little effort has been made to diffuse methods of hygiene and agriculture, proper sanitation or housing, or to bring about the development of community life. The government has had no program for the reconstruction of the countryside or the development of an independent landowning class. On the contrary, the sugar industry has employed a large proportion of the population as wage-earners or *colonos*, with little security of status—a condition which in itself will not be changed by improvement of the sugar market. Havana has been able to profit from the system, in the sense that it has attained a grandeur which contrasts sharply with the countryside. But this

⁴ Cf. Chapter XII.

only offers further evidence of the maladjustment existing in Cuban economy.

2. The Political System

The people of Cuba have also revolted against a political system which in the past has been marked by irresponsibility, unproductiveness and corruption. These defects may be attributed to a number of social causes, the first of which is Cuba's colonial background. In 1837 the Cortes declared that the overseas possessions could not be governed under the regular constitution of Spain, but should be given special laws. At the same time it refused to seat the Cuban deputies. Cuba was not given a legislative body of its own, however, until the degree of November 1897. In the interval it was subject to the arbitrary rule of a Spanish governor-general. As a result, unlike colonies of some other powers, Cubans received no apprenticeship in self-government, but were educated in the art of revolution and improvisation.

The second cause of Cuba's political defects has been the fact that few Cubans have entered the field of private business enterprise. Retail commerce has been dominated by the Spanish colony; the sugar industry, the banks, railways, public utilities and other enterprises have been dominated by Americans and other foreigners. The Cuban countryside has offered few opportunities for the graduates of the University or the technical schools. Trained for the most part as lawyers and doctors, many educated Cubans have sought an outlet in governmental positions. The public treasury has served as the largest employer of the Cuban middle class. In the absence of an economic and social program, the government budget became fair game for politicians who irresponsibly disposed of government posts, without regard to the function which these posts were supposed to perform. The result was widespread inefficiency and corruption.

Finally, the Platt Amendment served indirectly to underwrite the worst features in Cuban political life. For, in effect, this Amendment denied to an independent Cuba the right of revolution which the Cuban colony had exercised to correct the abuses of Spanish rule. As a result the Cuban politicians had little fear of popular revolt, which in the absence of free elections is the only effective restraint on irresponsibility and corruption. The abrogation of the Platt Amendment in the agreement of May 1934 between Cuba and the United States undoubtedly removed an outstanding obstacle to the development of better government in Cuba.

Largely as a result of these causes Cuban political life has been dominated by almost complete irresponsibility. Under the 1901 Constitution the system of administration rests on the national government centered in Havana. This administration is headed by a President and a Council of Secretaries or Cabinet Ministers. The Cuban President and congressmen must answer to the electorate at an election held every four years. But throughout the history of the Cuban Republic there have been few fair and honest elections. This has been due to at least four factors: Cuba's Spanish colonial heritage; the ease with which an electorate composed of large numbers of illiterate and impoverished voters can be corrupted; the intimidation of the electorate by means of the army and military supervisors; and the nature of Cuba's electoral system. The Crowder Electoral Code of 1919 made an effort to secure fair elections. But the code was soon emasculated; and the elections held under the Machado régime were among the most unfair and dishonest in Cuban history.

Once elected to Congress, many representatives and senators were chiefly interested in voting laws appropriating sums for pensions and public works from which they or their friends might profit, or laws granting special concessions to nationals and foreigners. Their irresponsibility was increased by Article 53 of the Constitution of 1901, which declared that a congressman could not be prosecuted for any offense, except with the consent of Congress. Down through the Menocal administration, 372 indictments for the commission of criminal offenses were brought against members of Congress, but only in one case did Congress authorize prosecution. It was customary, moreover, for Congress to enact an amnesty after each election suspending the penalties for violations of the election laws. Membership in Congress constituted a virtual immunity from punishment for crime.

Dissatisfaction also arose with the system of provincial and municipal administration. Under the 1901 Constitution, Cuba was divided into six provinces, each with a governor and provincial council elected by popular vote.⁵⁻⁶ They were supported by surcharges on municipal taxes. Cuba was also divided into *municipios*, covering not only a city but a rural area, which now number about 125. In the Municipal Ordinance of Alonso de Cáceres of 1574, the municipalities were granted a considerable measure of autonomy. Although the ordinances remained in force for nearly three centuries, the municipalities gradually lost

⁵⁻⁶ Cf. E. Rodríguez Herrera, "Administración pública," *Enciclopedia cubana, jurídico-administrativa* (Havana, 1933), Vol. I, p. 525 ff.

their autonomy by virtue of the centralization policy applied by Spain during the nineteenth century, which reached its logical conclusion in a new law of municipalities enacted by Governor-General Concha in 1859. A measure of local independence was restored in an Act of 1877 which granted legislative and administrative functions to municipal councils and mayors selected by such councils, subject to approval by the governor-general.⁷

In the Constitution of 1901 Cuba attempted to adopt the decentralized municipal régime of the United States. The Constitution separated the legislative and administrative functions of the council, and provided that the mayor and council should both be popularly elected. No legislation, however, was enacted to carry these provisions into effect until after the 1906 revolution.

As a result of the work of an advisory committee established by the second American intervention and composed of both Americans and Cubans, the organic law of municipalities of May 19, 1908 was enacted. The purpose of this law was to establish municipal autonomy and to make the local governments responsible to the people.⁸ Nevertheless the national or provincial governments retained the right to suspend the mayors as well as decisions of the municipal councils and, under certain circumstances, the national government also remained responsible for sanitation and education. During the next decade, moreover, the Havana government imposed many financial obligations on the municipalities, which are discussed in a later chapter.⁹ It frequently suspended the decision of municipal councils in order to benefit influential economic and political interests,¹⁰ and made use of military supervisors and rural guards in interfering with the maintenance of local peace and order. By the time of the 1933 revolution the municipalities were regarded by many Cubans largely as electoral and taxation agencies of the national government, while the provincial governments were regarded as political spoils of the party controlling the government of Havana.

The failure to establish political responsibility naturally led to corruption and waste in the administration of public funds. For example,

⁷ Cf. F. Carrera Jústiz, *Introducción a la historia de las instituciones locales de Cuba* (Havana, 1905), Vol. II, p. 113 ff.

⁸ For a study of this law, cf. Venegas Muñia and Venegas y Pazos, *Los municipios cubanos a través de la jurisprudencia* (Havana, Biblioteca Jurídica de Autores Cubanos y Extranjeros, 1932).

⁹ Cf. Chapter XV.

¹⁰ Cf. F. Carrera Jústiz, *El derecho público y la autonomía municipal: el fraude de un régimen* (Havana, 1913), p. 101; *idem*, *Discurso de clausura* (Primer Congreso Nacional de la Unión de Municipios Cubanos, 1926).

the army under the Machado régime was supposed to have numbered 12,000 men; actually, there were only 9,000 soldiers, the salaries for the remaining 3,000 places being paid over to Machado supporters in the army. In addition to paying the salaries of actual office holders, the Cuban budget contained a number of sinecures, or *botellas*, the income from which went to political favorites. The lottery was also a source of corruption.

Moreover, contracts for public works and the purchase of government supplies were awarded on innumerable occasions to political supporters at excessive figures. No independent system of auditing the budget existed, so misappropriations could not be detected. Dozens of cases arose in which provincial and municipal officials were charged with embezzling public funds, often for the purpose of conducting personal political campaigns.

Cuban writers have lamented the fact that during the past thirty years public works, education and sanitation have failed to make progress, and have even retrogressed, although government expenditure has increased by leaps and bounds.¹¹ During the eight years of the Menocal administration which came to an end in 1921, the government collected revenues amounting to \$600,000,000; nevertheless General Menocal bequeathed to the country a floating debt of \$46,000,000, without having made any substantial contributions to social development.

Cuban political life before the revolution was also marked by the granting of an excessive number of amnesties and pardons. From 1902 down through the first twenty-five months of the Machado administration, a total of 7,759 pardons was granted. These pardons were not only for political offenses, but also for the commission of crime—54 per cent of Machado's pardons, for example, being for the crime of murder and manslaughter. Moreover, between 1902 and the downfall of Machado the Cuban Congress enacted about forty-five general amnesty laws, only a minority of which were limited to political offenses.¹² This excessive use of amnesties and pardons obviously increased the opportunity for corruption, demoralized the Cuban judiciary, and gave an incentive, indirectly at least, to the commission of crime.

¹¹ Carlos M. Trelles, *El progreso y el retroceso de la república de Cuba*, Revista Bimestre Cubana, Vol. XVIII, No. 4, 318. Fernando Ortiz, *La decadencia cubana* (Havana, Conferencia de propaganda renovadora pronunciada en la Sociedad Económica de Amigos del País, 1924).

¹² Cf. F. Llaca y Argudín, *Legislación sobre amnistías e indultos de la república de Cuba* (Havana, 1933). About half of these amnesty laws were passed under the Machado régime.

A number of devoted public servants and leaders of public opinion struggled against these tendencies, but until the revolution they constituted an almost helpless minority.

Such were the outstanding defects of the old political system. These defects, which are by no means limited to Cuba, came to a culmination during the administration of General Gerardo Machado.

3. *The Machadato*

General Gerardo Machado took office in May 1925, on a platform pledged to economic and political reforms. At the beginning of his first term, the President declared that he would not contract any new foreign loans, and would serve as President for only a single term of four years. The first step in his economic program was the enactment of the Public Works Law of 1925 which authorized the construction of much needed roads and public buildings throughout the country. Under this law the 700-mile Central Highway and elaborate Capitol building in Havana were constructed. In order to complete the financing of these projects, the President, ignoring his original pledge against foreign loans, entered into transactions with the Chase Bank Syndicate resulting by his second term in the increase of Cuba's public debt by \$86,000,000.

President Machado sought to encourage agricultural and industrial diversification through the enactment in 1927 of a highly protectionist tariff and other measures. He also attempted to stabilize the sugar industry by adopting the principle of crop restriction, as finally embodied in the Chadbourne plan. Graft and corruption, however, soon became as rampant as in previous régimes. One reason for the rise of corruption was Machado's wish to dominate the organized political parties and secure a second term of office, despite his no re-election pledge. Early in 1926 he induced the Liberal, Conservative and Popular parties openly to unite on a policy of cooperation (*cooperativismo*). In the spring of 1927 the Cuban Congress, under his control, passed a resolution of constitutional amendment which would extend his term of office two years. In May 1928 a constitutional convention adopted the principle of a single six-year term for the Presidency. That body also passed a resolution urging Machado to accept a new presidential period on the ground that this would be a single term under the new amendment. The constitutional amendments adopted differed from the proposals submitted by Congress, which had provided for

merely a two-year extension of Machado's existing term. Article 115 of the 1901 Constitution provided, however, that a constitutional convention could merely accept or reject the proposals submitted by Congress. Since the 1928 amendments departed from this provision, a number of Cuban lawyers declared that they violated Article 115. In November 1928 Machado was re-elected for a second term, being the only candidate for the office. The opposition contended that, in view of the allegedly unconstitutional nature of the 1928 amendments, this second term was illegal.

Machado dominated the three orthodox political parties by means of the lottery and other inducements, but he could not by such means control many labor groups, students of the University of Havana, nor a number of political leaders headed by Colonel Carlos Mendieta, organized in the *Unión Nacionalista*. During Machado's first term the assassination of a number of labor leaders and editors took place. Although the Constitution guaranteed freedom of assembly, troops and police broke up a number of meetings organized by the *Unión Nacionalista*, and the government denied it the right of participation in elections. Following attacks in the fall of 1927 by University students on the proposed constitutional amendments, Machado ordered the expulsion of a number of student leaders—one of whom, Julio Antonio Mella, a Communist, was assassinated at Machado's instigation in Mexico City.

When Machado began his second term in May 1929, opposition rapidly increased. In September 1930 another student demonstration resulted in the death of Rafael Trejo at the hands of the police. The Cuban students, organized into a Directory, now began to arm themselves and to intensify underground methods. In December 1930 the President closed the University, the high schools and the normal schools throughout the country. These institutions remained closed until after Machado's overthrow. In August 1931 a revolt against Machado led by older political figures was launched, but by means of a highly trained army Machado quickly suppressed the revolt and captured its leaders.

Shortly after the collapse of this revolt, a number of young professional men and students founded an organization called the ABC. This organization, a secret society, published a manifesto which constituted one of the most searching and constructive criticisms of Cuban political and economic life that had yet been made. As a solution the manifesto proposed a series of measures directed toward nationaliz-

ing the wealth of the island. Meanwhile, driven to desperation by the intensification of political assassinations, the ABC in July 1932 followed the example set by the students and resorted to its first reprisals. From that time until Machado's overthrow, the government and the opposition vied with each other in acts of assassination and terrorism.

In May 1933 President Roosevelt sent Mr. Sumner Welles as Ambassador to Havana. Mr. Welles induced the President and a large part of the organized opposition to enter into mediation negotiations under the good offices of the American Ambassador. It was hoped that by this means a peaceful and constitutional solution of Cuba's political crisis could be found. But when several months passed without any agreement being reached between Machado and the opposition, unrest once more became pronounced. It was brought to a head by a general strike beginning August 5. Two days later soldiers shot down a large number of Cubans celebrating on the Prado a false report of Machado's resignation. On August 11 army officers asked Machado to resign "in order to save Cuba from foreign interference. . . ." Deserted by the main force which had kept him in power for several years, Machado on August 12, 1933 took flight by airplane for Nassau.

Thus, after reducing Cuba to a land of terror, Machado eventually went the way of most dictators. Some of his ideas for the economic development of Cuba might have been beneficial had he carried them out by democratic, honest and constitutional means. Instead of this, however, his administration resorted to methods of brutal despotism, sponsoring the worst forms of corruption and crime.

Although Machado has taken flight, Cuba will feel the effects of his régime for many years. In order to keep up the salaries of the army and to meet the demands of foreign creditors, he did not hesitate to cripple every social service in the island. The suspension of the secondary schools deprived the youth of Cuba of educational facilities during their most formative years. Not the least injury inflicted was his corruption of some of the most able Cubans, who thereby disqualified themselves from service to the new Cuba. An unintentional benefit of the Machado régime was that it developed a national consciousness and initiated a penetrating examination of the defects in Cuban life. New elements, represented by the students, younger professional men and heroic women, for the first time fearlessly threw themselves into a political struggle. Fresh and powerful forces were thus unleashed—forces which if self-disciplined and informed may yet succeed in bringing about a new and better national life.

4. *The Frustrated Revolution*

Before fleeing, President Machado asked Congress for a "leave of absence." At the same time he accepted the resignation of all his Cabinet members except that of Alberto Herrera, Secretary of War and Marine.¹³ In accordance with the constitutional amendments adopted in 1928 (Article 72), General Herrera took office as Provisional President, appointing Carlos Manuel de Céspedes Secretary of State. Herrera then resigned, and on August 13 Céspedes became President under the 1928 Constitution¹⁴ and appointed a Cabinet composed largely of representatives of factions which had supported the mediation. On the same day President Roosevelt announced that "the change of government now taking place in Cuba is in entire accord with the recognized Constitution and laws of that country. . . ." Thus the government, which resulted partly from the American mediation, based its existence not only on the 1901 Constitution but also on the 1928 amendments which had become odious to the Cubans who had led the revolution.

In an effort to allay this sentiment, the Céspedes government issued a decree on August 24 annulling the constitutional amendments of 1928 and restoring in full force the Constitution of 1901. The decree also removed existing congressmen, Supreme Court judges appointed after May 20, 1929, and all elected officials and provided that elections would be held in the following February. These provisions aroused the fear that the Céspedes régime intended to perpetuate its existence at the polls. A few days later another decree provided that the acts of the Machado government during its second term would remain in force unless set aside by the executive power.¹⁵

The restoration of the Constitution of 1901, coupled with the composition of the Céspedes government and the circumstances which brought it into existence, did not satisfy the revolutionary sentiment which had swept the island. This sentiment had taken hold not only of the political and intellectual classes of Havana, but had touched the great mass of working people in the countryside where radical strikes were beginning to occur. A spirit of revolution called for some drastic and emotional change which would wipe out not only the brutalities of the Machado régime but the misery and corruption which the old

¹³ Decree No. 1155. *Gaceta Oficial, Edición Extraordinaria*, No. 20, August 12, 1933.

¹⁴ Cf. his statement that he had taken office in accordance with Article 72. *Gaceta Oficial, Edición Extraordinaria*, No. 21, August 14, 1933.

¹⁵ Cf. Decrees No. 1298 and 1386.

economic and political system had produced. This spirit, which was highly nationalistic, also protested against the mediation of the United States, of which the Céspedes régime was a product. The Céspedes government, however, had concerned itself primarily with the task of restoring political and constitutional "normalcy."

On the night of September 4, 1933 a revolt in the army was caused largely by the fact that the officers were still Machado supporters. Led by Sergeant Fulgencio Batista, the sergeants and enlisted men forced out about 500 officers. Sergeant Batista now became Commander-in-Chief of the Revolutionary Army, with the title of Colonel,¹⁶ and he eventually gave commissions to 527 sergeants, corporals, privates and civilians, 106 of the old officers retaining their positions. The others withdrew to the National Hotel where they finally surrendered after the bombardment of October 2.

The revolt of the sergeants not only brought about a profound change in the army, but led to the overthrow of the Céspedes régime in favor of a government headed by Dr. Grau San Martín, a professor of medicine at the University,¹⁷ and supported by many elements who had opposed the mediation, especially the students. These elements came to be known as the *Auténticos*. One of the first acts of the Grau régime was to promulgate a Statute for the Provisional Government, defining the general principles which would guide it.¹⁸ The first was that the government would above all maintain the "absolute independence and national sovereignty" of Cuba while respecting existing treaties.¹⁹

The government also promised to hold elections for a Constitutional Convention the following April. In order to meet the demand of public opinion for a complete reorganization of the government, it suspended the Civil Service Commission Law and also many articles in the Law of Judicial Power so that the Executive could remove *Machadista* officials.²⁰ Similarly, the régime established national and provincial tribunals of sanctions for the purpose of trying political and common crimes committed during the Machado administration,²¹ tribunals which are still functioning.

¹⁶ Decree No. 1538, *Gaceta Oficial, Edición Extraordinaria*, No. 27, September 8, 1933.

¹⁷ For five days a directory of five, including Dr. Grau, constituted the provisional government. *Gaceta Oficial, Edición Extraordinaria*, No. 26, September 5, 1933.

¹⁸ Although these statutes did not expressly set aside the Constitution of 1901, the Supreme Court subsequently ruled that actually it and other acts of the régime modified the old Constitution. Sentence No. 2, March 1, 1934, *Gaceta Oficial*, March 6, 1934.

¹⁹ *Gaceta Oficial, Edición Extraordinaria*, No. 30, September 14, 1933.

²⁰ Decree No. 1605, *Gaceta Oficial*, September 16, 1933.

²¹ Art. 4, *Estatutos* (*Gaceta Oficial, Edición Extraordinaria*, No. 30); also Decree No. 1956, *Gaceta Oficial*, September 30, 1933. These courts could decree the "embargo" of goods belonging to an accused person to the amount equal to the fine which might necessitate his payment.

During its four months in office, the Grau government enacted a great number of decrees. Among the matters covered by these decrees are the following: an 8-hour day; a requirement that employers must engage at least 50 per cent native-born Cuban workers; a minimum wage for cutting sugar cane; the creation of a Department of Labor; the compulsory arbitration of labor disputes; the suspension of payments on the Chase loan; the provisional seizure of the Chaparra sugar and *Compañía Cubana de Electricidad* properties; the establishment of a Colono Association; the recognition of the Medical Federation of Cuba; the removal of Mr. Chadbourne as head of the Sugar Export Corporation; the granting of an unlimited sugar quota to small mills up to 60,000 bags; the initiation of a program for agrarian reform, including proceedings for the government purchase of the bankrupt Cuba Cane properties; a reduction in electricity rates; the extension to the electric light employees of the benefits of a pension law applicable to the railways; autonomy for the University; and authorization for the coinage of \$20,000,000 in silver.

The Grau régime came to power at a time of pronounced labor unrest, indicating that Cuba was in the throes not only of a political but a social revolution. In a number of places, workers or strikers seized control of sugar properties, and for a time Cuba was threatened by a serious Communist movement. Many Cubans blame the Grau régime for this wave of communism. Owing to the existence of widespread social misery, however, an explosion was bound to occur following the downfall of Machado. Far from supporting Grau, the Communists bitterly attacked many of his measures, in particular the 50 per cent law which violated the principle of world-wide solidarity of the working class. These and other nationalist measures were a factor in bringing about a real improvement in the condition of the Cuban worker, and thus contributed to the defeat of communism.

The Grau government aroused intense hostility on the part of business interests, the older political groups, the Spaniards, the ABC and many Americans. Mr. Welles, the American Ambassador, was strongly opposed to the régime, and the United States refused to recognize it. This deprived the Grau government of an indispensable condition for success. Its difficulties were increased by the fact that Grau came into power during the dead season. Critics declared that the administration represented only a small fanatical minority dominated by him. Moreover, if an accused person did not have property, the courts were authorized to nullify any transaction during the last six months which might have been undertaken to conceal his wealth.

nated by students, kept in power by an undisciplined army. They charged that the Grau régime was demagogic, anti-American and incompetent. Similar charges can usually be made with a measure of truth against any revolutionary régime which suddenly comes into power on a wave of high emotion and without preparation or experience. Today, however, some of Grau's enemies admit that he was the only President who had attempted to improve the lot of the submerged majority.

In January 1934 the army and other elements finally turned against Grau, who was forced to resign. A new government now took office, headed by Colonel Carlos Mendieta as Provisional President. The Cabinet contained representatives of the leading political sectors, such as the ABC, the *Unión Nacionalista*, the *Menocalistas* and the *Marianistas*. In contrast to the refusal to recognize the previous régime, the United States announced its recognition of President Mendieta five days after he took office.

President Mendieta came to power at a critical period in Cuban history. He was confronted with the task of restoring moral peace among internecine factions, reorganizing the political framework of the government, and relieving a desperate economic situation.

Although the new government repealed few of the Grau decrees, it promulgated a Provisional Constitution on February 3, 1934. Concerning itself only with political matters, this document declares that it is not possible to return to the 1901 Constitution which has aroused such popular hostility. Apparently to check widespread reprisals against supporters of the old régime, the new Constitution prohibits confiscation of property and suspends the death penalty until a final decision on this latter question can be made by the new constitutional convention. Legislative power is vested in the President's Cabinet, called the Council of Secretaries. Decree-Laws, however, may be drafted by an advisory body, called the Council of State, the fifteen members of which are appointed by the President. Full power remains concentrated in the Executive.

The Provisional Constitution expressly enjoined on the government the task of preparing elections for a new constitutional convention before December 31, 1934.^{21a} The new Constitution must be completed by June 1935, following which elections will be held and a regular government installed.

^{21a} Elections have been postponed to March 3, 1935. Cf. *Diario de la Marina*, November 11, 1934.

On taking office in January President Mendieta was confronted with a series of strikes, not only in Havana but in the sugar plantations, which threatened to prevent the 1934 sugar crop from being ground. Believing the grinding of this crop essential to the economic existence of Cuba, the government resorted to a number of drastic measures. Thus it enacted Decree-Law No. 3 which prohibited the right to strike until after a compulsory waiting period, and authorized the dissolution of labor unions which violated the law. Making use of this decree, the Cuban army arrested a number of labor leaders and provided protection to encourage sugar *centrales* to grind.

In April the government authorized the issue of \$10,000,000 in silver and declared a moratorium on the amortization payments due on the foreign debt, to continue until annual revenues increased to \$60,000,000.²² The government increased salaries, fixing the minimum wage of \$30 a month for government employees, and paid up certain salary arrears.²³ In May it signed an agreement with the American government abrogating the Platt Amendment, while in August it concluded a new trade agreement with the United States.

Despite these measures, the country did not return to a condition of tranquillity. The University and other educational institutions were in turmoil due to the demand of the students for resignation of the professors who had supported Machado. In June 1934 the University students actually sat in judgment over the professors, asking the removal of forty-five. Meanwhile the educational work of the University remained almost at a standstill. The government, having granted autonomy to the University, did not attempt to intervene.

An especially serious problem related to the large number of bombings and other acts of terrorism, which included an attempt on the life of the President, the American Ambassador, and various Cabinet members. Some of these acts were inspired by political motives; others were the work of criminal gangs.

In an effort to strengthen the various provisional governments and maintain order during a troubled period, the Cuban army had been increased by 4,000 since the downfall of Machado; moreover the National Police of Havana, now numbering nearly 3,000, had been re-organized. Nevertheless, neither the police nor the army seemed to be able or willing to prevent the commission of these acts of terrorism. During the first six months of 1934 there does not seem to have been

²² Decree-Law No. 93. *Gaceta Oficial, Edición Extraordinaria*, No. 38, April 23, 1934.

²³ Decree-Law No. 163. *Gaceta Oficial*, April 25, 1934; and No. 296, *ibid.*, June 16, 1934.

a single conviction by the courts for bombing. In many cases these failures for conviction were due to the fact that the judges were blackmailed by terrorists.

In an effort to correct this situation, which threatened to demoralize the whole life of Havana, if not the provinces, the government on June 15 promulgated a Decree-Law of Social Defense and Public Order.²⁴ The decree imposed the death penalty on those who injured any one in a terrorist attempt, prohibited the manufacture and sale of explosives, and provided for the punishment of those who provoked or apologized for terroristic attacks. Penalties were also provided for those who should provoke political disorder, celebrate unauthorized political meetings, injure or insult the public powers and government officials, or carry out acts of sabotage. The decree established special *Tribunales de Urgencia* to enforce these penalties and authorized them to act without respecting ordinary rules of evidence or procedure.²⁵ No appeal could be taken against these sentences. A number of Cubans criticized this decree, on the ground that it might be taken advantage of to punish innocent acts of political propaganda. This danger, together with the suspension of constitutional guarantees which the government had decreed, might make it impossible, they believed, for opposition parties freely to carry on a campaign in connection with the forthcoming elections, and increased the possibility of arbitrary arrests on the part of the police and army.

Two days after the enactment of this decree, an attack was made in Havana by a group in a motor car against a demonstration of thousands of ABC members. A dozen people were killed and more than fifty wounded. These events brought to a head the political crisis which had been smoldering for several months. The ABC now withdrew its three members from the Cabinet, charging the government with failure to maintain order and to carry out a reconstruction program.²⁶⁻²⁷ A month before, the government had heeded the advice of

²⁴ Decree-Law No. 292, June 15, 1934. *Gaceta Oficial, Edición Extraordinaria*, No. 56, June 16, 1934.

²⁵ According to the preamble, judgment in these cases could be based on "conviction derived from presumptions," taking into consideration "the personal condition of the accused, his antecedents in relation to the type of crime and other circumstances of fact," rather than on the bases of established proof. Moreover, the tribunal could impose punishment on persons even though not guilty of acts of terrorism, should the tribunals find that they had engaged in dangerous activities against public order.

²⁶⁻²⁷ Cf. *Memorandum al Presidente Mendieta sobre la situación del Gobierno Provisional y la necesidad de adoptar un plan de reconstrucción nacional*, March 5, 1934. This constituted an early statement of the immediate need for adopting such a program; according to the ABC, delay meant that the revolution would lose its momentum.

the ABC to the extent of enacting certain monetary decrees,²⁸ a principal effect of which was to create alarm among business and other circles which had hitherto supported the ABC. As a result, the other factions in the government opposed further measures of reconstruction sponsored by the ABC, taking the position that a Provisional Government should limit itself to the preparation of the forthcoming elections, leaving the question of reconstruction to the Constitutional Convention. This internal division in the Mendieta government was terminated by the ABC's withdrawal from the Cabinet. After a prolonged political crisis, the Cabinet finally came to be dominated by the *Nacionalista* party. Meanwhile, President Mendieta reiterated his determination to resign if the elections were not held in December. His government proceeded to carry out preparations for such elections.

5. *Pessimism*

Following the withdrawal of the ABC, the government was opposed by the two leading revolutionary forces—the ABC and the *Partido Revolucionario Cubano*, the official title of the Grau party. Once more the government was in the hands of the older political groups. Not only were the two leading revolutionary factions mutually antagonistic, but internal divisions within each of these groups began to appear. These divisions within the reconstruction movement led to widespread disillusion. The statement was frequently made that the revolution was lost; that Cuba was drifting back to the old system; that the Cubans lacked political capacity; that they could not assume any constructive responsibilities. It was prophesied that a military dictatorship was coming into existence, and that the future would consist only of further bombings until Cuba drifted into a state of anarchy. Such was the atmosphere in which the Commission on Cuban Affairs inaugurated its work.

Our studies have led to the conclusion that while Cuba is confronted with many serious difficulties, these difficulties can be surmounted if the forces which united to overthrow the Machado dictatorship can be rallied in favor of a reconstruction program. This policy is essential if for no other reason than to meet the menace of terrorism.

The solution of terrorism depends on the development of self-restraint on the part of the active political elements, on the courageous

²⁸ Cf. pp. 314-315.

administration of justice by the courts and in the prohibition of arbitrary acts by the police and army. But it also depends in part on the general program of the government in power. In 1888 Enrique José Varona, who was to become Cuba's leading intellectual, declared that banditry in Cuba could be destroyed only by eradicating the evils in Cuba's collective life.²⁹ Somewhat the same reasoning may be applied today to acts of terrorism in Cuba. Last year certain deep emotions were aroused among the Cuban people which demanded the creation of a new Cuba. For the time being at least these emotions have been thwarted. A provisional government is in power which has decided to postpone major measures of reconstruction until after elections for a constitutional convention. Meanwhile, however, emotions which last year called for the creation of a new Cuba have no legitimate outlet, and consequently have been diverted into illegitimate and perverted channels, such as acts of terrorism on the one hand, and a collective inferiority complex on the other. The present state of frustration is also due to the widespread belief that the present government is controlled by American diplomacy.^{29a} The restoration of order and moral peace in Cuba, which is essential for the stability of any government, depends partly on the adoption of a program of reconstruction which will fulfill the legitimate aspirations of the revolution. Many representatives of the conservative classes, both Cuban and foreign, recognize this fact and are therefore prepared to support drastic measures against public corruption and in favor of reform.

6. *Laissez Faire as a Solution?*

Some business groups believe that all that is necessary for a solution of Cuba's problem is a revival of the export sugar market. They argue that if the government keeps its hands off business, economic recovery will now take place. No new taxes should be levied, since this would lead merely to further waste and corruption at the expense of legitimate private enterprise.

While recognizing that arbitrary interference with business is undesirable, and admitting past defects in the Cuban system of government, the Commission doubts whether the adoption of a policy of *laissez faire* would solve Cuba's pressing economic or social problems, or work in the long run to the advantage of domestic or foreign capital in Cuba. While it is true that in comparison with recent years

²⁹ Cf. his essay "El bandolerismo en Cuba" (1888).

^{29a} Cf. Chapter XXI.

the sugar market has to a certain extent revived, it is today not a free but a controlled market. The sugar export quotas under the Jones-Costigan Act and the Chadbourne plan are definitely fixed. The benefits which should arise from this controlled market would undoubtedly break down if unrestricted competition were allowed to take place among the Cuban sugar mills. Limitation of sugar production and assignment of internal quotas follow from the limitation of the export market, and both types of limitation are the antithesis of the principle of *laissez faire*.

Despite the gains arising from the Jones-Costigan Act, some concerted plan for agricultural diversification,³⁰ subsistence farming, rural reconstruction and the development of new markets is essential. Government as well as private initiative is necessary if such a plan is to meet the economic, social and educational needs of the Cuban people.

In reducing the duty on Cuban sugar, the American treasury is surrendering revenue amounting to perhaps \$20,000,000 a year. While it is expected that from this agreement considerable benefits will accrue to American exporters to Cuba, the fact remains that the United States government, in a period of accentuated economic nationalism, has displayed unusual enlightenment in respect to Cuba. Under the Jones-Costigan Act, Puerto Rico is to receive similar benefits from the United States, taking the form of part of the proceeds from the processing tax levied on the American sugar consumer. With these proceeds and other revenue, Puerto Rico plans to carry out a far-reaching program of land utilization and rural reconstruction. The United States and American public opinion will closely watch the disposition Cuba makes of the advantages it will similarly derive from the new sugar policy of the United States. Will it improve its system of administration and carry out a program which will minister to the needs of the people of the island, or will it merely allow these sums to be absorbed by private business enterprises and make no effort to change the defects in the old economic and political system? The adoption by Cuba of a program of social reconstruction will do much to prevent an effort to increase the quota of Puerto Rico and Hawaii at the expense of Cuba, and the return to a high American tariff on sugar generally in the future. This is a consideration which should lead Cuban conservatives and liberals alike to agree on the necessity of an internal reconstruction program. Foreign business men, particularly those in the sugar industry, should also realize that the future of their enterprise may

³⁰ Cf. Chapters XIX, XX.

depend on the extent to which they loyally cooperate with the government in bringing about an improvement of social conditions.

7. Favorable Factors

Despite the existing pessimism in Cuba, there are three main reasons why, in the opinion of the Commission, a reconstruction program can be successfully carried out.

In the first place, as this chapter has already emphasized, a widespread and deep-rooted demand for social change exists in every part of the island. To rebuff this demand is to plunge the Republic of Cuba into chronic chaos. On the other hand, the very existence of this demand is the greatest asset in promoting reform.

Second, Cuba has many assets which facilitate a program of reconstruction. The climate of the island is one of the best in the tropics, the rainfall is fairly even and the heat not oppressive. The effects of periodic hurricanes can be greatly alleviated by a system of hurricane insurance, and by an especially adapted system of agriculture. From the point of view of resources, Cuban soil is remarkably fertile and diversified.

The third reason why the prospects for a reconstruction program should be bright is the new policy of the United States toward Cuba. Fifteen years ago the United States raised many objections to the policies adopted by the revolution in Mexico. Today the American government desires a New Deal, not only for the United States but for Cuba as well. Thus Cuba is confronted with a unique opportunity which may not soon return.

In view of the present state of frustration in Cuba today, one can understand the self-criticism which many Cubans are now making of their national character and political ability. This capacity of self-criticism is a valuable asset, provided it is not purely academic. In our opinion what Cuba lacks is experience in political and economic cooperation. We have met Cabinet Ministers, lawyers, doctors, engineers, business men, scholars and writers who measure up to the best standards of capacity in any country. But as the history of democracy indicates, even a relative degree of success in self-government is achieved only after a long period of experience, in which a people, endowed with a measure of economic independence and comparatively high literacy, are allowed to profit from their mistakes. Hitherto, the people of Cuba have not had this opportunity for self-development.

But with the rise of a new sentiment of patriotism and the reorganization of the social system, the situation should change.

In non-political matters Cubans have already demonstrated a capacity for cooperation. Cuba is the scene of one of the most successful experiments in the world in cooperative medicine, a service performed by a number of cooperative societies for more than a hundred thousand members.³¹ It is true that the older and larger societies are Spanish; yet this very fact reinforces the conclusion that people who are supposedly individualistic can succeed at cooperation, for the Spaniard has the reputation of being perhaps the most thoroughgoing individualist in the world. Moreover, a number of purely Cuban cooperative societies providing medical service are springing up and proving a success.

Other examples of successful cooperation on a smaller scale may be cited. The first is a cooperative irrigation society in Güines, an area which produces many vegetables on irrigated land. For a century or so farmers in this area engaged in bitter quarrels over the distribution of the water of the Mayabeque river. In an effort to end these quarrels, a cooperative irrigation society was founded in 1886. This society is still in existence, and is equitably and peacefully distributing water among its shareholders.³² An even older organization of great prestige is the *Sociedad Económica de Amigos del País*. Since its establishment in 1793, this organization has administered funds, conducted a number of private schools, and undertaken other important cultural activities.³³ Similarly, a cooperative fire insurance company, managed entirely by Cubans, has been in existence for nearly 80 years, and has succeeded in weathering the tragic years of 1897 and 1933.³⁴ Mention should also be made of the Sugar Export Corporation. Although this body is partly controlled by Americans, its management is in Cuban hands. The corporation may be unpopular, but is well and honestly administered. Other examples of the capacity of Cubans to cooperate in non-political matters may be cited, such as the Pro-Arte Musical Society, and various women's and other organizations. Perhaps the greatest problem is to enlist the services of the most able Cubans, who hitherto have been unwilling to descend to the political market place, in a more direct form of service for the community and the country.

³¹ For the controversy aroused over the medical *quintas*, cf. pp. 119-121.

³² For history, cf. J. A. Cosculluela, *El regadío en el valle de Güines* (Havana, 1914).

³³ R. Montoro and Adrián del Valle, *Historia de la Sociedad Económica de Amigos del País* (Havana, 1930).

³⁴ For a history, cf. *Memoria presentada por el Consejo de Dirección de la Compañía "El Iris" a la Junta General* (Havana, 1926). Cf. also *Memoria* for the year 1933.

Once the present difficult period of transition is successfully terminated, there is reason to believe that Cuba may become one of the garden spots of the Western Hemisphere. Its people have learned to suffer—how to oppose oppression and resist misery. They have a unique capacity for self-criticism. If they can now unite their undoubted abilities in a cooperative effort for human betterment, Cuba will deserve in more ways than one its historic title of Pearl of the Antilles.

To realize the aspirations of its people, the Cuba of the future will not flower in a single city but will be a countryside full of green farms and glowing communities—the land of a peasant class which has realized the dignity, charm and intelligence which are the inherent characteristics of the people of this island. Cuba is a land of beauty—the beauties of nature, such as the royal palm, the beach of Varadero, the mountains of Trinidad; the beauties of man, such as the *Castilla de la Fuerza*, Morro Castle, the *Edificio del Ayuntamiento* and the *Plazuela de la Catedral de La Habana*—historic places which a vibrant nation should jealously cherish. We can well understand why Cubans should love this land. The time has come when every Cuban should have an opportunity to serve it.

CHAPTER II

POPULATION ELEMENTS

The population of Cuba numbers about four million. It has increased nearly 152 per cent since the end of the Spanish-American War, an increase more than twice as great as that which has taken place in the United States during the same period. This rapid growth has been due to the absence of the chronic state of insurrection which dominated the last thirty years of the colonial régime, the conquest of yellow fever during the first American occupation, the control of other preventable diseases, and the prodigious economic development which took place in Cuba between 1900 and 1924.

Even during the colonial period, the population of Cuba showed considerable increases. As a result of the marked economic prosperity of the early nineteenth century, it increased from 272,300 in 1792 to 1,396,530 in 1861. A high point of 1,631,687 was reached in 1887 but, as a result of the war of independence and the reconcentration policy, the population declined 3 per cent between 1887 and 1899. The following table and Graph I set forth the situation in detail:

<i>Year</i>	<i>Population</i>	<i>Increase</i>	<i>Per cent per decade</i>
1774	171,620	.....	..
1792	272,300	100,680	31
1817	572,363	300,063	34
1827	704,487	132,124	24
1841	1,007,624	303,137	29
1861	1,396,530	388,906	18
1877	1,509,291	112,761	5
1887	1,631,687	122,396	8
1899	1,572,797	68,800*	3*
1907	2,048,980	476,183	39
1919	2,889,004	840,024	33
1931	3,962,344	1,073,340	31

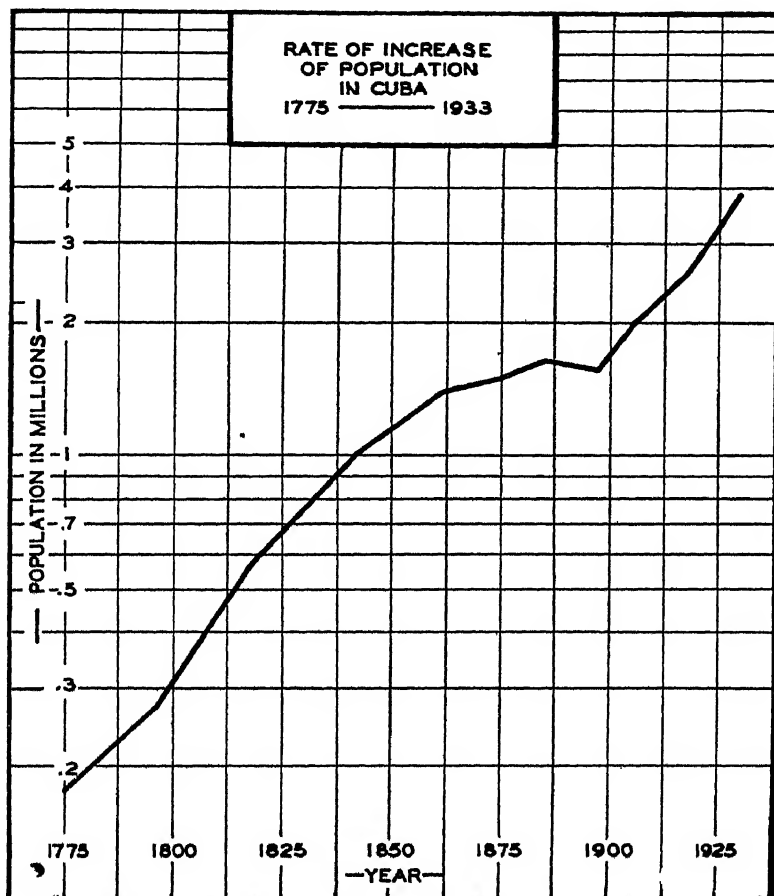
* Decrease.

Since 1907 the percentage of increase has declined somewhat.

1. *Distribution of Population*

During the past 25 years the population of Cuba has shifted from the western to the eastern provinces. In 1907 Oriente was the third province in number of inhabitants, having a population of 453,000. By 1919, however, Oriente stood first, a position which it has continued to

GRAPH I



maintain. The adjoining province of Camagüey underwent an even more notable increase of 93.6 per cent between 1907 and 1919. In the period of 1919-1931 also Camagüey increased more rapidly than any other province, or 78.2 per cent. This development in Oriente and Camagüey, which contain more than half the area of the Republic but were originally scantily populated, has been due to the establish-

ment of the sugar industry and to railway and highway development. Not only have Cubans from the west migrated to the east, but the latter area has attracted immigrants, both legal and illegal, from the neighboring overpopulated islands of Jamaica, Haiti, and Puerto Rico.

Although population has shifted, there is continuous infiltration from the rural districts into Havana. The population density is shown in the frontispiece. It will be noted from this map that for all practical purposes Cuba may be divided into two major sections:

1. *Havana and environs*, with a population of about one-sixth of the whole island, or 600,000.

In Havana is centered the economic, political and cultural life of the nation. Every ambitious young man, whether interested in a career of science, art, business or politics, turns his face toward the capital city.

2. *The Interior*. The great mass of the people who live on the land and develop the natural resources of the island. There is no city in Cuba, other than Havana, with a population of over 100,000. This means a wide distribution of the people in small towns and villages, and scattered farm homes.

Despite this rapid increase, the population density of the island is not great if the proportion of arable land is taken into consideration. The situation is illustrated by the following table:

POPULATION DENSITY, 1919 AND 1931, BY PROVINCES

Province	Population in		Area in miles	Density		Increase per mile	Per cent of total area
	1919	1931		1919	1931		
Pinar del Río	261,198	343,480	5,206	50.1	65.9	15.8	11.8
Havana	697,583	985,500	3,170	220.0	310.8	90.8	7.2
Matanzas . .	312,704	337,119	3,242	96.4	103.9	7.5	7.4
Santa Clara .	657,697	815,412	8,266	79.5	98.6	19.1	18.7
Camagüey . .	228,913	408,076	10,077	22.7	40.4	17.7	22.7
Oriente	730,909	1,072,757	14,228	51.4	75.4	24.0	32.2
Total	2,889,004	3,962,344	44,189	65.4	89.7	24.3	100.0

This density of 89.7 per square mile is much less than 224 for Haiti, 213.9 for Jamaica and 449.4 for Puerto Rico, but greater than that of Santo Domingo, which has a density of only 51. Some observers assert that Cuba is underpopulated, and that colonization is necessary to develop all the resources of the country. Past ventures in colonization, however, have not been successful. On the contrary, the colonization

of Chinese, Haitians and Jamaicans has merely aggravated Cuba's problems. It might be feasible to organize assisted emigration of Puerto Ricans to Cuba, which would tend to relieve the overpopulation of Puerto Rico. There is considerable ill-feeling, however, between Cubans and Puerto Ricans, doubtless due to the fact that Puerto Rico did not revolt against Spain in 1895 and is today a territory of the United States. But wholly apart from the availability of desirable immigrants, it seems evident that Cuba should not encourage immigration so long as a large percentage of its present population is unemployed and in distress. The immigration of cheap labor might assist a few enterprises but, for the time being at least, would take place at the expense of the population as a whole.

Of the four million inhabitants of Cuba, 1,079,106 or 27 per cent is colored. Although the great majority of the colored population are native-born Cubans, there were 79,838 Haitians and 40,471 Jamaicans in the country according to the 1931 census figures. A second racial group consists of 24,480 Chinese. Finally, the census reports the presence of 614,000 Spaniards, a number which Cuban observers regard as much exaggerated, and 13,277 Americans. Since the World War a considerable number of Central Europeans have migrated to Cuba. Thus, in 1923, 1,581 Poles, 1,139 Russians and 2,053 Italians entered the country. Many of these Europeans came to Cuba in the hope of later surreptitiously migrating to the United States, but the great majority have settled in Cuba and in some cases contributed to its industrial development. Many of these European immigrants have been Jews. In Havana today there is a Jewish community with a synagogue, Hebrew periodicals, kosher shops and schools. So far, no racial feeling of any marked extent has arisen between the Jewish colony and the Cubans proper.

The alien elements in the population of Cuba have increased more rapidly since the World War than the population as a whole. The situation is illustrated in the following table:

<i>General population</i>	ALIEN ELEMENTS *		<i>Percentage</i>	
	<i>1919</i>	<i>1931</i>	<i>Difference</i>	<i>of increase</i>
Cuba as a whole	2,889,004	3,962,344	1,073,340	37.2
Colored Cubans	733,905	925,297	191,392	26.1
Haitians	21,015	79,838	58,823	279.9
Jamaicans	18,122	40,471	22,349	123.3
Spaniards	404,074	613,970	209,896	51.9
Chinese	10,300	24,480	14,180	137.7

* Data furnished by V. Sallés.

The striking fact about this table is that although the Cubans of color increased less rapidly than the population as a whole, the alien elements, particularly the Haitian, Jamaican and Chinese, increased much more rapidly. These increases indicate the existence of a racial problem in Cuba which we shall consider before discussing the condition of the Cuban people proper, which will be the subject of later chapters.

2. Racial Elements

When discovered by Columbus, Cuba was inhabited by Indian peoples, chief of which were the *Ciboneyes* and *Tainan Arawaks*. These Indians offered little resistance to the Spanish Conquistador. Reduced to slavery, the Cuban Indian population was exterminated by the middle of the sixteenth century. Unlike other Latin-American countries, Cuba does not have a *mestizo* population based on a mixture of Spanish and Indian blood, nor does it have a large unassimilated Indian population, like Guatemala and Mexico. While this fact has deprived Cuba of the native arts which characterize the life of other Latin-American nations, it may have freed the island from the acute social problems found in countries which have attempted to blend Indian and Spanish culture.¹

History, however, has bequeathed to Cuba an important Negro problem. Following the destruction of the Indian population, the government of Spain authorized a limited importation of Negro slaves from Africa into Cuba in 1517. As a result of a slave monopoly, represented by successive concessions or *asientos*, only about 60,000 slaves were imported into Cuba before 1763.²

Following the British occupation of Havana, restrictions on this commerce were gradually removed in response to the demand for labor caused by improved economic conditions. It is estimated that altogether, until the abolition of the slave trade, more than a million Africans were carried to Cuba. It was this Negro population which provided most of the labor in the development of the sugar industry.

Beginning with 1814 England induced Spain to sign a series of treaties promising to abolish the slave traffic in return for a payment

¹ From 1848 to 1861 thousands of Yucatecans were brought to Cuba to work on the sugar estates under labor contracts the terms of which amounted to practical slavery. Cf. Carlos R. Menéndez, *Historia del infame y vergonzoso comercio de indios vendidos a los esclavistas de Cuba* . . . (Merida, 1923). The experiment was not a success and the Yucatecan Indians apparently died off or were assimilated. Pezuela's figure of 786 in 1860 seems impossibly low, however. *Diccionario*, cited, Vol. IV, p. 242.

² Humboldt's estimate, Fernando Ortiz, *Los Negros Esclavos* (Havana, 1916), p. 81.

by England which, in an agreement of 1817, was fixed at £400,000. Instead of enforcing these agreements, Spanish officials in Cuba speculated in contraband slave traffic. Following a slave insurrection, the Spanish government enacted a law in 1845 suppressing the slave trade, but this law only partially stopped the illicit traffic.

It was the Cuban revolutionists in the Ten Years' War who took the initiative in abolishing slavery. In 1869 the Cuban revolutionary assembly at Guáimaro provided for the abolition of such slavery on condition that compensation be granted to the owner. Following the restoration of peace, Spain likewise abolished slavery in a law of February 3, 1880. The law declared that for a period of ten years the slaves should continue under a state of serfdom or *patronato*. The patrons had the right to use the labor of the Negro during this period, but in return were obliged to feed, clothe and compensate the Negroes for their labor, and educate their children. In 1886 the *patronato* system was abolished, and thereafter the Negro slaves became legally free.

As a result of the importation of Negro slaves and, to a certain extent, the natural increase,³ the colored population of Cuba in 1817 and 1841 exceeded in number the white population. Confronted with the example of the slave insurrection in Haiti, many white Cubans as well as North Americans opposed the idea of a Cuban republic, fearing that it would be dominated by blacks.

Statistics, however, show that the proportion of colored to white population has steadily declined to the point where today it constitutes 27 per cent of the total. Assimilation between Negroes and whites has proceeded so rapidly that this figure cannot be regarded as wholly accurate. The number of mulattoes has steadily increased, while that of pure Negroes has steadily declined. Many mulattoes now pass as white Cubans, and it is consequently difficult for the census to make accurate distinctions. Some Cuban observers believe that not more than half of the total population is pure white.

The presence of a large body of Negroes whose roots go back to Africa inevitably has left a mark on the life of Cuba. These Negroes have continued to perform the manual labor to which they had become accustomed under slavery. In the towns they are found in domestic service, in the ports many of them work as stevedores, in the sugar country Negroes cut a large part of the sugar cane. The colored element in the population has introduced a psychology and mode of

³ Mortality among slaves was excessive, however. Pezuela, *Diccionario*, cited, Vol. IV, p. 241.

life common to Negroes in other parts of the world. Still retaining many of the customs of an African background, which in a new environment have lost their meaning, a considerable part of the Negroes have not been completely assimilated into Cuban culture. As a result, a psychological conflict has come into existence, aggravated by the misery in which many Negroes live. In the days of slavery many Negroes in Cuba practiced fetishism, and today numerous *ñáñigo* secret societies and other animistic cults may be found.⁴ Occupying the bottom of the social scale, and with little opportunity for social or economic advancement, the Negroes provide numerous recruits for the Cuban underworld. According to the 1932 statistics, a racial group containing 27 per cent of the population was responsible for about 50 per cent of the serious crime.⁵ Negroes have been the object of particular solicitude on the part of the Communists,⁶ and some of them took the lead in the radical strikes which swept Cuba in 1933-1934. Although among all the lower classes of Cuba "free unions" or common-law marriages are not unusual, the percentage of Negroes who live under extra-legal matrimonial bonds is much greater than that of whites. According to the 1932 statistics, there were only 1,720 colored marriages in comparison with 10,356 white. On the other hand there were nearly as many illegitimate births reported among the Negroes as among the whites, although the Negroes constitute less than a third of the population.⁷ Pointing to these characteristics, a number of white Cubans are inclined to regard the Negro as mentally and morally inferior. It is not difficult, however, to explain these manifestations on economic, social and cultural grounds. The solution for the defects which have appeared to a greater extent in Negro than in white life must be sought not in a policy of repression but in improvement of social and economic environment.

These negative aspects of the Cuban Negro have been offset to a certain extent at least by the contributions which he has made to Cuban culture. Afro-Cuban music and dance have become internationally famous. Perhaps the leading musicians in Cuban history have been Negroes—Brindis de Salas, José White and José M. Jiménez

⁴ For discussion of these general practices among the Afro-Cubans, cf. Fernando Ortiz, *Los negros brujos* (Madrid, 1917). Also Juan Luis Martín, *Ecud, Changó y Yemayá* (Havana, 1930). For a novel dealing with the so-called mythology of the Afro-Cubano, cf. Alejo Carpentier, *Ecud Yamba-O* (Madrid, 1933).

⁵ In this year 7,665 whites committed offenses, in comparison with 4,284 Negroes and 2,687 mulattoes, or a total of 6,971. The corresponding figures for 1933 are: 7,293 whites, 3,883 Negroes, and 2,776 mulattoes; total of Negroes and mulattoes 6,659.

⁶ Cf. p. 194; on the question of Haitian labor, cf. pp. 212, 214 ff.

⁷ *Estadística, 1932*, Comisión Nacional de Estadística y Reformas Económicas, p. 262.

—while one of its leading poets was the mulatto, Plácido.⁸ The Cuban colored population may eventually assist in the development of an art which will be as distinctive as Indian art in Mexico.

It is impossible to predict the future relationship of whites and Negroes in Cuba, but the following forecast may be made with a fair degree of certainty.

1. The more ambitious and intelligent elements of the population will continue to concentrate in the larger cities, particularly Havana.

2. The independent farming and grazing operations, large and small, will be concentrated in great part in the hands of whites. The Negroes will tend to concentrate in those areas where farming operations are carried out on a large scale.

3. So long as the general sanitary conditions of the interior remain unchanged, the Negro will hold his own with the whites as he is more resistant to malaria and intestinal parasitism, and thrives in a rural tropical environment. The Negro will lose ground in the cities.

4. If the sanitary conditions of the interior can be made even to approximate those of Havana, it seems probable that the whites on the island will increase in numbers by natural means (excess of births over deaths) at a greater rate than the Negroes.

5. The mulatto will continue to increase in numbers at the expense of the Negro proper.

3. *Race Prejudice*

During the revolutions of 1868 and 1895 the white Cubans and Negroes were drawn closely together against Spain. In the latter revolution several leading Cuban generals were mulattoes, notably Antonio Maceo, and possibly a majority of the ordinary troops in the revolution were colored. The interracial fraternity which then existed was illustrated by the saying of Ignacio Agramonte concerning his mulatto servant, Ramón Agüero—"This is my brother." On numerous occasions José Martí declared that the fear entertained against the Negro race in Cuba was unjustified. "The Negro as such," he declared "is neither inferior nor superior to any other man. . . ." Because of this historic association and the general Latin attitude toward interracial relations, racial prejudice in Cuba has not been nearly so acute as in Anglo-Saxon countries. It seems true, however, that it has increased during the past few years. This is attributed partly to the unconscious influence

⁸ Cf. Ramón Guirao, "Poetas negros y mestizos de la época esclavista," *Bohemia* (Havana), August 26, 1934.

of the American point of view and partly to economic distress. When an economic system is unable to provide adequately for the wants of every class in the population, the dominant group inevitably employs the racial argument to maintain its economic position at the expense of lesser colored groups.

Negroes, however, are freely admitted to the schools and University. Out of a total of 426,708 students, 105,586, or 24.6 per cent, are colored, which is slightly less than the proportion which the Negroes bear to the total population. Large numbers of colored persons attend the normal schools—in Havana they constitute 80 per cent of the total. Nevertheless, according to official figures, the number of colored teachers is only 1,181 out of a total of 7,417, or less than 19 per cent—a number which probably is underestimated. At the same time, many Negro teachers have difficulty in being placed, partly because of lack of political influence. Although there are no legal discriminations against Negroes, custom decrees that in many parks and plazas the Negroes shall occupy a section apart from the whites. White and black students mix in the class rooms of the University, but hold their social functions apart. Colored people are not admitted to white clubs or *quintas*. At times they have been prohibited from bathing at certain public beaches, although such prohibition is illegal.

There are few Negro doctors, lawyers or intellectuals of standing in Cuba, nor are there many successful Negro business men. A recent statement of the *Comité por Los Derechos del Negro* declares: "There are industries where they cannot work; in commerce, in the great foreign enterprises, above all, Negroes are not employed. In certain industries they work where the pay is least: for example, in the graphic arts they may be compositors, but seldom linotypists; in the tobacco industry they are cigar-makers and strippers, but not sorters or trimmers who are the employees that earn the best wages."⁹ There is no adequate evidence to show whether this is due to lack of opportunity or aptitude.

Before the abolition of slavery, a number of slave revolts took place in Cuba. In 1907 an Independent Party of Color was organized, which supposedly started the 1912 revolution in which 3,000 Negroes lost their lives.¹⁰ At the initiative of a Cuban Negro Senator, a law was

⁹ *Informe de la comisión investigadora de los sucesos de Trinidad y otros trabajos del comité por los derechos del negro* (Havana, 1934), p. 21.

¹⁰ Historians differ as to whether this revolt was due to a desire of the Negroes to improve their position or instigated by white politicians for political purposes. Cf. C. E. Chapman, *History of the Cuban Republic* (New York, Macmillan, 1927), p. 312.

passed in 1910, known after its author, as the Morúa law, which prohibited the formation of political parties on racial lines; this law is apparently still in force. Negroes have nevertheless played a rôle, if a subordinate one, in Cuba's politics. In the western provinces they have cast their lot with the liberal party, although in Oriente they have followed the conservatives. A number of Machado's worst deeds were attributed to Negro henchmen, but it is probable that they were no more numerous than those for which whites were responsible. Occasionally Negroes have been elected to the Cuban Congress, and recently a prominent Negro journalist was a member of the Council of State. Few Negroes, however, have occupied positions in the administrative service of the government or in the judiciary. Altogether, while the Negro population of Cuba has been assimilated to a much greater extent than that in the United States, Negroes have made much less social and cultural progress. Although colored people have numerous social clubs, there is only one Negro fraternal aid society in Cuba, the *Unión Fraternal*, containing about a thousand members, who in return for weekly dues of 25 cents receive sick and burial benefits. Many Negroes also belong to the Cuban branch of the Odd Fellows lodge. Until recently at least, most of the leading Cuban Negroes have upheld the goal of complete assimilation; but during recent years a new element has arisen which takes pride in the fact of being a Negro. Thus the *Organización Celular Asteria* upholds Negro in contrast to Cuban culture, and demands that Negroes be given 50 per cent of public positions, such as school teaching. The Negro movement has become so influential that leading Havana newspapers now contain sections devoted to Negro news. Nevertheless, there is no national organization of colored persons, such as exists in the United States, whose object is to work for the general social and economic advance of the race and to prevent racial discrimination.

Following the downfall of Machado, fear of a Negro uprising again took hold of certain sections of the Cuban population. Having suffered perhaps even more severely than the whites in the recent depression, many Negroes naturally attempted to improve their economic position at a time when a wave of revolutionary sentiment swept the island. Negroes were among the leaders in seizing sugar properties and making exorbitant demands on mill managers. Moreover, following the revolt of the sergeants, the percentage of Negro officers and enlisted men in the Cuban army greatly increased. Although de-

tailed statistics are not available, some estimates declare that today 35 per cent of the enlisted men are Negroes. The social legislation of the Grau régime, combined with the policy of deporting Haitian Negroes, undoubtedly benefited the Cuban colored population. The Grau administration also appointed a number of Negroes to public office, including the first Negro judge. During the post-Machado period some Cuban Negroes attempted to abolish social discrimination. In January 1934 Negroes in Trinidad entered the section of the central park reserved by custom to the whites, declaring that there was nothing in the Cuban Constitution to justify segregation. As a result of this incident, rioting occurred, one Negro being killed.¹¹

These efforts of the Negro in the post-Machado period, which often took an extreme form, alarmed many conservative Cubans. In the past the politicians among the leading parties have been able to control the Negro vote by means of petty bribery and other inducements. But as a result of the unrest which has penetrated Cuban life, it is probable that the Cuban Negroes will be susceptible to new forms of political propaganda, and that with the growth of intelligent self-interest they will support movements which promise to improve their social and economic condition.

While racial prejudice against the Negro exists in certain white circles, this prejudice is not due to any inherent trait in the white race. The Cuban Negro exhibits a similar antipathy to the Haitian and Jamaican, whose standard of living and cultural level are considered lower than those of the Cuban colored class. Many Cuban Negro leaders sympathize with the deportation of Haitians inaugurated by the Grau régime.¹² Racial prejudice also seems to exist between Negroes and mulattoes. For example, in Santiago de Cuba each group has its social club, from which members of the other group are excluded.

Among Communists the idea of an autonomous Negro state in Oriente Province is being discussed as a solution.¹³ But clearly this idea is fantastic. Cuba will solve its racial problem by keeping schools open to Negro children, increasing educational facilities to children not in school, and working out an economic and social system in which Negroes, equally with whites, will have an opportunity to earn a livelihood and to build a civilization.

¹¹ *Informe de la comisión investigadora de los sucesos de Trinidad y otros trabajos del comité por los derechos del Negro*, cited.

¹² Cf. pp. 216-217.

¹³ Cf. "La cuestión negra en Cuba, cuestión nacional," *Masas*, June 1934.

4. *The Chinese*

In the early part of the nineteenth century Chinese filtered into Cuba, coming originally from the Philippines via Spain. These Chinese were known as *Chinos Manilas*. Following the suppression of the Negro slave trade, the Spanish government imported Chinese laborers under 8-year contracts, beginning in 1847. This type of importation continued intermittently until the conclusion of a treaty between China and Spain in October 1864, which defined the conditions of work of the Chinese laborers and provided that the laborer might purchase his discharge. Between 1853 and 1873 more than 132,000 Chinese were shipped to Cuba, 13 per cent of whom died en route or shortly after their arrival. Chinese labor also complained of being grossly abused by employers,¹⁴ while Cubans declared that they committed many crimes, and did not have the vigor of the Negro.¹⁵

Importation of Chinese came to an end in 1873. Five years later the Spanish government issued a decree requiring all Chinese whose contracts had terminated either to make a new contract or to leave the island, on the ground that many were criminals. In 1877 the Chinese population was reported to be about 44,000; by 1899 it totaled 14,863. Of this latter number only 49 were women.¹⁶

In military order No. 155 of May 15, 1902 the American military government prohibited Chinese immigration into Cuba, with the exception of merchants and students. This order was enforced until 1919 when 1,100 entered,¹⁷ followed by 9,203 in 1920 and 1,858 in 1921. Apparently these admissions formed part of the Menocal policy of importing cheap labor from other areas, such as Haiti. In 1926 the Cuban government strengthened the prohibition against Chinese immigration by enacting Decree No. 570 which, with a few exceptions, admitted only Chinese diplomatic and consular representatives.

Between 1919 and 1931 the Chinese population increased from 10,300 to 24,480. The Chinese support several newspapers and a theatre in Havana and have clubs in many cities. In retail commerce, where they have gained a reputation for honesty, the Chinese offer severe competition to the Spaniards. During recent months a number of Chinese establishments have been bombed or threatened with bomb-

¹⁴ *Report of the Commission sent by China to ascertain the condition of Chinese coolies in Cuba, presented to the Tsungli Yamen October 20, 1874*, cited in H. B. Morse, *The International Relations of the Chinese Empire*, Vol. II, p. 179-180.

¹⁵ Pezuela, *Diccionario*, cited, Vol. IV, p. 242.

¹⁶ *Report on the Census of Cuba, 1899*, pp. 69, 220.

¹⁷ *Censo, 1919*, p. 175.

ing, presumably by disgruntled competitors. Other Chinese are employed in laundries, restaurants, or truck-gardening. Although only about 500 marriages are reported between Chinese and Cubans, colored and white, the Chinese have left the mark of their blood throughout the island.

5. *The Spanish Question*

Despite the presence of a large Negro and a small Chinese minority, Cuba is predominantly Spanish in race and culture. Districts such as Holguín are very similar to Spain. The structure of the towns, type of architecture, the evening promenades in the plaza, life in the clubs, and even the small burros with milk cans dangling on each side are almost a replica of Spanish life.

Following its conquest of Cuba, the Spanish Crown carefully restricted the right of emigration to the West Indies. Despite the illicit entrance of numbers of Portuguese, Genevese and others, the Andalusians, belonging largely to military and bureaucratic classes, dominated immigration to Cuba.¹⁸ Beginning in the nineteenth century, however, the characteristics of this Spanish migration changed—Spaniards, who were accustomed to agricultural and commercial pursuits, now coming from Asturias, Galicia, the Basque Provinces, Catalonia and the Canary Islands.

During the first two centuries the white population of the island was so scanty that Spain imposed the death penalty on any Castilian attempting to leave Cuba for America proper. When the British captured the Spanish colony of Jamaica in 1655, about 8,000 Spaniards fled to Cuba, while the slave insurrection in Haiti as well as the purchase of Louisiana by the United States caused an even greater number of Frenchmen to migrate there.¹⁹ The Spanish colony increased when Florida was ceded to the United States in 1819, and when the other Spanish colonies received their independence. As the last stronghold of Spain in the Western Hemisphere, Cuba remained the military, agricultural and commercial center for many Spaniards.

At the beginning of the nineteenth century a distinction developed between the peninsular Spaniard, born in Spain—and the Cuban, the Spaniard born in Cuba. The former class came to Cuba to make a fortune or an official career; the Cuban had come to look on the

¹⁸ Ortiz, *Los negros esclavos*, cited, p. 4. Cf. F. S. Hulse, *The Comparative Anthropometry of Cubans and Andalusians* (unpublished thesis, Harvard College Library, 1933).

¹⁹ Many French immigrants settled in the city of Cárdenas, for example. Cf. H. Portell Vilá, *Historia de Cárdenas* (Havana, 1928), p. 33.

island as a permanent home. The colonial policy accentuated this distinction by withholding from the Creoles, as the Cubans were called, privileges extended to Spaniards. In 1860 there were 513,000 Cubans in the island, divided almost equally between men and women. The Spaniards numbered 83,000, of whom 66,000 were men. At the end of the Spanish War the Cubans had increased to 1,466,633, while the Spaniards numbered 106,164.²⁰ Today there are officially 614,000 Spaniards in Cuba, or 15.6 per cent of the entire population—a figure which well-informed observers believe to be greatly exaggerated. There are about 75,000 more men than women in the Spanish colony, many of the men having married Cubans.

Although Spain was obliged to give up its political control over Cuba, the Treaty of Paris protected the private rights of Spaniards in the island. The Spanish colony has since been strengthened by a constant stream of immigration. Between 1903 and 1933, 723,381 Spaniards entered Cuba; of this number several hundred thousand have returned to Spain. In 1920 a record of 94,294 immigrants was made; following a decline during the next two years, the figure rose again to 46,439. As a result of the depression, however, the tide has swung in the other direction. In 1931 and 1932 more Spaniards returned to Spain than migrated to Cuba. In the former year only 1,210 Spaniards entered the country. Nevertheless, the Spanish colony remains large, and is distinct from the Cubans proper. In 1919 only 14 per cent of the Spaniards were Cuban citizens, and the percentage probably remains unchanged.

For many years a number of Spaniards, especially from the Canary Islands, came to Cuba annually to work on the sugar crop and then returned to Spain. Belonging to the type of seasonal labor known as *golondrinas* or swallows, they lived together in primitive cooperative units, dwelling in special *barracones* under the most unsanitary conditions. With the importation of Negroes from Haiti and Jamaica and the growth of the depression, this type of Spanish migration has come to an end.

As a rule the Spanish immigrant came to Cuba for the purpose of making a permanent living at whatever occupation presented itself. Although some of them went to work on farms and became *colonos*, most of them usually planned to become merchants in the town or city. Until recently, at least, Cuba has imported large quantities of its

²⁰ Gonzalo de Quesada, *Cuba* (International Bureau of the American Republics; Washington, Government Printing Office, 1905), p. 12.

food and clothing; commerce, consequently, has been a profitable occupation. With his low standard of living and habits of hard work, the Spaniard soon monopolized retail commerce. Assisted by the labor of his family, he used his store as a dwelling, and lived meagerly on the merchandise he could not sell.

Originally Spanish business houses were on a small scale, the employee living with his employer's family. The income of the employee was not a wage regularly collected in full. Except for a small amount of cash, it consisted of a sum allowed to accumulate in the business. Employees had no liberty and could not even go out on the street except on stated occasions. Eventually the employee might be admitted as a partner, but during the early period he was merely an apprentice. More recently, large Spanish firms have come into existence in Cuba, in which the line between the capitalist and the worker is clearly drawn. In many cases the Spanish workers have formed labor unions; and one of the largest cooperative societies is composed of commercial employees—the *Asociación de Dependientes del Comercio de la Habana*—a body which also contains a large proportion of Cuban members.

6. *The Spanish Cooperative Societies*

The most interesting feature of the Spanish colony is undoubtedly the cooperative societies and other forms of organizations, which at one time enrolled 90 per cent of the Spanish population as members if families of members are included.²¹ Many of the societies which grouped together Spaniards from the same region in Spain, such as Asturias and Galicia, were founded in the eighties. Their original purpose was to look after the needs of Spanish immigrants, to see that they did not become public charges in violation of the immigration laws, and to relieve the misery caused by periodic epidemics. They have since developed to the point where the larger societies provide their members with the facilities of a social club, educational opportunities and free medical care. The cost of membership in these societies does not exceed \$2 a month. While about three-fourths of the fee

²¹ The largest of these societies are the *Centro Asturiano*, founded in 1886, the membership of which has declined from 60,000 to about 34,000; the *Centro Gallego*, which, partly because of an internal administrative controversy, has declined from about 64,000 to 15,000; and the *Asociación de Dependientes del Comercio*, the number of which has declined from 52,000 to about 18,000. At one time the cooperative societies had 200,000 members. Membership losses have been due in large part to the depression. In addition to the cooperative societies providing medical care and social facilities, there are countless numbers of other organizations of a social and benefit nature.

goes into medical benefits, the funds have also been used, in the case of the *Centro Asturiano* and the *Centro Gallego*, to build magnificent buildings in the heart of Havana, as well as to construct and maintain a number of schools and some of the finest hospitals and clinics in Cuba. Particularly notable is the *Quinta La Covadonga*, maintained by the *Centro Asturiano*. The success of these societies, which for the most part are concentrated in Havana, in providing their members with medical care has given rise to an acute controversy between the cooperative societies and the Havana medical profession, discussed in another chapter.²² Whatever the merits of the controversy, the Spanish cooperative societies, which contain numerous Cuban members, are among the most successful experiments in cooperation to be found in any country.

From the cultural and racial point of view, the modern Spaniard has made a distinct contribution to Cuba. The constant stream of Spanish immigration has served to maintain the purity of the language and the development of Cuban culture. The Spaniard, moreover, has assisted the economic development of the island, while the cooperative societies have benefited many Cuban members. The majority of the bishops, priests and nuns in the Catholic Church are Spanish. The Spanish colony, however, has aroused serious opposition on the part of many Cubans, partly for economic and partly for cultural reasons.

The vast majority of Spaniards, coming in great part from the lower classes in Spain, have been inspired primarily by a desire to accumulate a competence. They have lived by themselves—a tendency possibly accentuated by the cooperatives which have satisfied their social needs. For the most part, they have been monarchical at heart, retaining conservative ideas in other than political matters. The *Casino Español*, the social club of the most successful Spaniards, was the hub of reaction in colonial times and today is a center of conservatism. In 1928 a small minority attempted to break away from this tradition by establishing in Cuba the *Círculo Republicano*, which favored the overthrow of the Spanish monarchy several years before it occurred. The *Círculo* is not strong, and most of the members of the Spanish colony seem to cling to the manners and customs of their fathers. A small group of Spaniards have, however, brought to Cuba the ideas of anarcho-syndicalism which inspire a number of labor unions in the island.

²² Cf. Chapter V.

Although the Spaniards are for the most part aliens and have a tendency to become self-centered, they exercise a wide influence over Cuban political life. By virtue of their monopoly of trade, they control to a certain extent the advertising in newspapers. Aroused by the enactment of the 50 per cent law and by the support given to the doctors in their controversy over the cooperative societies, the Spaniards turned against the Grau administration; many of them for a time contributed to the support of the ABC.

Friction has also arisen because the Spaniards occupy such a dominant position in the economic life of the country. Despite the export of capital to Spain in the form of remittances and interest, Cuba imports from Spain about twice what it exports. Although the books have been balanced by triangular trade, Cubans believe that Spain should purchase larger quantities of Cuban exports. A number of recent measures, such as the 50 per cent law and the law forbidding the export of money, have been aimed in part at Spaniards.

While the Spanish colony continues to maintain its identity and exercises a predominant economic influence, there are several factors which may eventually bring about the assimilation of Spaniard and Cuban. From the point of view of race and language the two are related. Moreover, the great majority of the Spanish immigrants make permanent homes in Cuba; many marry Cuban women and have children who automatically become Cuban citizens unless they ask to be registered as Spaniards at the age of twenty-one.²⁸ While some wealthy Spaniards retire to Spain, the majority die in Cuba. As the Spaniards die off, leaving children who are Cuban citizens, the Spanish colony should disappear unless it is continually replenished by immigration. While for the time being more Spaniards are leaving Cuba than entering, it is not improbable that when economic recovery takes place the Spaniard will again resume his migrations to Cuba. At present the immigration law imposes practically no restrictions on the number of Spaniards who may enter. The Cuban government might do well to consider the adoption of some qualitative immigration tests, so as to insure that such immigration will consist of the classes of Spaniards who may contribute most to the development of the island.

The Spanish cooperative societies might do more to bring about better understanding between the Spanish and the Cubans proper. At present, despite schools for children, the cooperative societies are

²⁸ Art. 4, Par. 1, *Constitutional Law*, February 6, 1934. Under the 1901 Constitution, however, those born of foreign parents in Cuba could secure Cuban citizenship only by making a declaration to that effect on arriving at the age of 21.

doing little work in the field of adult education. They could attempt to stimulate the interest and raise the cultural level of adult members by discussion groups, lectures, and other forms of adult education, and generally promote closer cultural relations between Cubans and Spaniards.

CHAPTER III

ECONOMIC LIFE

Cuba, the largest island in the West Indies, has an area greater than that of many European countries, such as Portugal or Holland, and is about equal in size to Pennsylvania or Virginia. Located only a few miles from the United States, Cuba dominates the entrance to the Gulf of Mexico. The topography of the island is marked by an abundance of bays and commodious harbors, and by three mountain ranges, the largest of which is the Sierra Maestra in Oriente Province. The center, particularly Camagüey Province, consists largely of a flat plain, well-suited for cattle-raising. With one or two exceptions such as the Cauto river, Cuba lacks navigable rivers and has almost none of the resources necessary for widespread industrial development. Its coal and petroleum resources are, so far as is known, of minor importance, and water power is limited. A few mineral deposits, principally iron ore, copper, chromium and manganese, have been developed commercially. Today the copper mines of Matahambre, the asphalt mines of Mariel and Chambas, the petroleum deposits of Bacuranao, the gasoline of Motembo, the iron mines of Daiquirí and Firmeza, the chromium of Mayarí, and the manganese of San Luís are being exploited. Opinion differs as to whether mineral exploitation may be profitably increased.

The wealth of Cuba is derived from its agricultural products, chiefly sugar and tobacco. Originally the whole island was covered with heavy tropical forests which have been for the most part destroyed by the inroads of agriculture. Nevertheless, there are still several thousand hectares of forest land in the extreme eastern and western parts of the island. The soil of Cuba is so rich and the climate so equable that very little human effort is required to produce a crop, and several crops may be grown in one year. More than 3,350 plants indigenous to the island have been catalogued.

1. Economic Origins

Although Cuba was conquered by Diego Velásquez in 1511, its economic development began with the British occupation of Havana

in 1762. At that time the British government abolished the Spanish trading monopolies and established free commerce. Following its re-occupation of the island, Spain enacted the ordinances of 1777 and 1818, removing the prohibitions on commerce between Cuba and foreign nations, but retaining preferential treatment for Spanish goods and ships. These measures, together with the destruction of the neighboring French colony of Haiti as a result of the slave rebellion of 1791, led to a period of great prosperity for Cuba. While cattle continued to be raised on a large scale, the economy of the island was based on sugar, tobacco and coffee. Owing to the decline of the French plantations in Haiti, Cuban coffee production rapidly expanded from 7,411 *arrobas* in 1790 to about 2,000,000 *arrobas* in 1831; but after 1840 the industry went into decline, owing to the development of sugar and the success of Brazilian coffee. Since then sugar and tobacco have occupied a dominant place in Cuban economy, both under the colonial régime and the Republic.

From the outbreak of the 'Ten Years' War in 1868 until the close of the Spanish-American War in 1898, Cuba experienced economic difficulties. This was due in large part to the state of chronic insurrection produced by the intransigence of Spain, the commercial policies of Spain and the United States, and the development of beet sugar in foreign countries. Between 1889 and 1897 Cuban exports to the United States declined from \$56,336,064 to \$16,233,456. At the end of the War with Spain the economic situation was chaotic. Cuba's foreign markets had been disrupted, and its internal economy largely destroyed. Of the 3,000,000 head of cattle enumerated in 1895, only 10 per cent remained at the end of the Spanish war. Moreover, about two-thirds of the real estate was mortgaged.

The American occupation, 1899-1902, undertook to establish a stable government and to find new markets for Cuba's leading exports. The latter end was achieved by the conclusion of a reciprocity treaty between Cuba and the United States on December 11, 1902. This treaty provided that all Cuban goods not already on the free list should enter the United States at a reduction of 20 per cent in the ordinary tariff rates. Dutiable American goods imported into Cuba were, in return, to be divided into four classes, entering at rates which were respectively 20, 25, 30 and 40 per cent below the regular Cuban rates. Duties could not be imposed by either government in the future on goods then on the free list.

This agreement, together with the Platt Amendment, which con-

stituted a virtual guarantee of the stability of the Cuban government, revived Cuba's markets and initiated a new period of prosperity. Cuban exports and imports (money not included) now increased, subject to several fluctuations, as follows: ¹

CUBAN EXPORTS AND IMPORTS, 1902-1914

Year	(in millions of dollars)		Total
	Exports	Imports	
1902	64.3	60.5	124.8
1903	77.2	63.5	140.7
1904	89.0	77.0	166.0
1905	110.2	95.0	205.2
1906	103.9	98.0	201.9
1907	104.2	104.5	208.7
1908	94.6	85.2	179.8
1909	124.7	91.4	216.1
1910	150.8	103.7	254.5
1911	122.9	113.1	236.0
1912	173.0	123.2	296.2
1913	164.6	140.1	304.7
1914	174.0	118.2	292.2

Although by 1910, Cuban sugar lost the direct benefit of the reciprocity treaty ² by virtue of increased production, sugar exports continued to increase along with Cuba's general trade because of the increasing demand for sugar which was accentuated by the World War.

2. Foreign Investments

The economic development of Cuba has been marked not only by a large foreign trade but by extensive foreign investments. It is estimated that these investments have amounted to nearly one and a half billion dollars, or approximately \$400 per capita. To equal the per capita Cuban figure, the United States would have to borrow abroad a total of over fifty billion dollars.

More than a billion of this total represents American holdings distributed, according to one estimate, as follows: ³

¹ Secretaría de Hacienda, Sección de Estadística, *Annual Reports*.

² Cf. p. 245.

³ L. H. Jenks, *Our Cuban Colony* (New York, Vanguard, 1928), pp. 299-300. In 1930 Dickens placed American investments at \$1,066,051,000, while Winkler put it at \$1,500,000,000. "A New Estimate of American Investments Abroad," *Trade Information Bulletin*, No. 767 (Washington, U. S. Department of Commerce), p. 165. Max Winkler, *Investments of U. S. Capital in Latin America* (Boston, 1929), p. 184.

AMERICAN INVESTMENTS

Sugar industry	\$ 600,000,000
Public utilities	115,000,000
Railways, public	120,000,000
Mines	50,000,000
Tobacco industry	20,000,000
Hotels and amusements	15,000,000
Mercantile	30,000,000
Agricultural	25,000,000
Factories	15,000,000
Office buildings and city real estate	50,000,000
Government debt	100,000,000
	<hr/>
	\$1,140,000,000

These investments are exceeded only by those of the United States in Canada and Germany. It is estimated that all but about two hundred million dollars of American capital entered Cuba during the war and post-war periods. The remaining foreign investments represent for the most part Spanish and British holdings. A large Spanish colony controls retail commerce⁴⁻⁵ and owns much urban property. It is estimated that until recently the Spaniards of Cuba have remitted annually to Spain between ten and twenty million dollars, and that the interest on Spanish capital was three million dollars more. British holdings represent about two hundred million dollars, part of which is invested in the United Railways. To what extent these investments represent a writing-up of assets is not known.

Data necessary for the compilation of Cuba's international accounts are also lacking, but it would appear that during the World War foreign capital yielded an unusually large return. Since 1923, however, the situation has changed, and it is doubtful that many foreign investors have received interest on their money. Today the great majority of those who have invested in Cuban agriculture and industry would gladly liquidate their holdings at from one-fourth to one-half what they originally invested. While the investor may have fared badly, the physical product of the investment remains in Cuba. The major evil of this foreign investment has not been, as some of the more radical Cubans have stated, that the country is being drained of its wealth by foreign exploiters, but that excessive foreign investment, particularly in sugar, has stimulated an economic growth injurious to Cuban and foreigner alike.

⁴⁻⁵ Cf. p. 38.

3. *Leading Exports*

According to the traditional principles of international trade, Cuba should export those products in which it has a comparative advantage and import articles which other countries can produce more cheaply. For a period of more than 25 years the Cuban Republic, to a large extent at least, attempted to apply these principles. Because of its soil and climate Cuba can produce sugar more cheaply than almost any other country in the world. During the greater part of the nineteenth century Cuba led the world as a producer of cane sugar. In 1894 production for the first time exceeded a million tons.⁶ Although the war of 1895 seriously crippled this output, the establishment of the Cuban Republic, accompanied by the Reciprocity Treaty of 1902 and the Permanent Treaty of 1903, led to a great expansion. In 1904 production once more exceeded a million tons, while by 1914 the figure rose to 2,597,732 tons. Although the original stimulus given by the Reciprocity Treaty had now been spent, the reduction of the American tariff in 1913, followed by the enormous demand for cane sugar caused by the World War, incited Cuba to further efforts, resulting in a crop of 4,009,734 tons in 1919.

Following the collapse of 1921, sugar production in Cuba, stimulated by apparently unlimited resources in the United States, began to expand far beyond the figure reached during the World War. Meanwhile, increases in the American tariff in 1921 and 1922, reflecting a world-wide tendency to stimulate domestic sources of sugar supply, began to offer obstacles to the expansion of Cuban sugar exports. The fact that, despite these obstacles, Cuba could continue to expand its production indicated that the island possessed unusual natural advantages. Nevertheless, the price of sugar (at New York and excluding the tariff), although it reached 5.240 cents a pound in 1923, soon entered a period of steady decline. In 1924 it was 4.186 cents, and in 1925 and 1926 averaged about 2.5 cents; by 1932 it had fallen to an average of .925 cents, recovering to 1.208 cents during 1933.

Tobacco

The second source of Cuba's wealth has been tobacco, which is probably superior in quality to that in any other part of the world. For several hundred years large amounts have been exported in the form of leaf tobacco or cigars. Before 1817 the production and trade in

⁶ Unless otherwise specified, all tons are long tons.

tobacco constituted a Crown monopoly. Following the abolition of this monopoly and many onerous taxes, the production of leaf tobacco rapidly increased. From the establishment of the Republic until 1931 the production of leaf tobacco fluctuated between 415,000 and 610,000 *tercios* annually,⁷ yielding an annual return of about \$50,000,000. The average amount of tobacco leaf produced during the four years 1924-1928 was 65,028,000 pounds, of which 38,334,000 or 58.9 per cent was exported, the remainder being used in the manufacture of cigars. Tobacco production is concentrated in the province of Pinar del Río, whose soil is especially adapted for this purpose. The production of tobacco is for the most part in Cuban hands.

In 1899 tobacco exports exceeded sugar in value, but since then sugar has gradually assumed a predominant position. In 1908 sugar and its products constituted 54.1 per cent of the value of total exports, and 88.6 per cent in 1919. The percentage of tobacco, on the other hand, fell from 32.7 to 8.3 per cent during the latter period.⁸ Although sugar and tobacco have continued to dominate, the Republic has exported small quantities of other products, some of which have actually increased in value during the post-war period. The situation is shown in detail in the table on page 48.⁹ As this table indicates, during the period 1932-1933 sugar and tobacco constituted only 84.19 per cent of the total exports, in comparison with 96.34 during the abnormal period of 1919-1923, and 92.82 during the period 1924-1928. Down through 1933, on the other hand, the export of molasses, fruits and vegetables, sponges, honey and woods showed increases.

Tourists

Next to sugar and tobacco, tourist expenditures have been the largest source of Cuba's foreign income. By virtue of its location Havana is a regular port of call for many ships en route to Panama and other Latin-American ports, and passengers going ashore often spend large amounts of money. Even more important have been the special cruises operating from New York, annually bringing tens of

⁷ A *tercio* is approximately 100 pounds.

⁸ *Censo de la República de Cuba, 1919*, p. 231.

⁹ E. Durruthy, *Comercio exterior y navegación, 1919-1931, república de Cuba* (Havana, 1934). Data for 1932 and 1933 from U. S. Department of Commerce, *Special Circular No. 300, Cuban Foreign Trade* (Washington, June 22, 1934). On the other hand, in 1929 the per capita exports other than sugar were less than in the period of 1899-1901. Philip G. Wright, *The Cuban Situation and Our Treaty Relations* (Washington, 1931), p. 118.

CUBAN EXPORTS, 1919-1933

(value in thousands of dollars)

Groups	1919-1923		1924-1928		1929-1931		1932		1933	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
Sugar	420,698	87.95	275,595	81.38	129,541	69.56	54,286	67.29	58,404	69.20
Molasses	3,059	0.64	9,836	2.91	9,679	5.20	3,457	4.29	2,851	3.37
Distillates	1,706	0.36	1,441	0.43	1,392	0.75	709	0.87	1,250	1.48
Tobacco	40,123	8.39	38,753	11.44	31,479	16.91	12,926	16.03	13,396	15.87
Fruits, vegetables and grains	4,028	0.84	4,898	1.44	4,814	2.58	5,046	6.28	3,011	3.57
Sweets and preserves	165	0.03	152	0.05	499	0.27	179	0.22	182	0.21
Minerals and metals	4,291	0.89	2,488	0.74	3,518	1.89	692	0.85	1,733	2.05
Shells and sponges	431	0.09	932	0.27	923	0.50	429	0.53	450	0.53
Wax and honey	740	0.16	697	0.21	803	0.43	331	0.41	326	0.38
Woods and fibres	955	0.20	1,089	0.33	1,049	0.56	561	0.69	829	0.98
Hides and skins	1,677	0.35	1,931	0.57	1,478	0.79	497	0.61	642	0.80
Other articles	455	0.10	787	0.23	1,064	0.56	1,559	1.93	1,317	1.56
Total Exports	478,328	100	338,599	100	186,239	100	80,672	100	84,391	100

thousands of tourists to Havana for a stay of several days. In addition, many Americans before the depression made extended stays in the winter season in Cuba to escape the rigors of the northern climate or the Eighteenth Amendment. According to the National Tourist Commission, 86,270 tourists went to Havana in the peak year of 1930, together with 76,982 transient passengers, or a total of 163,252. It is estimated that these visitors spent \$12,591,000.

The general trade increase between 1914 and 1925 is shown in the following table:

	<i>Exports</i> (in millions of dollars) (excluding money)	<i>Imports</i>	<i>Total</i>
1914	174.0	118.2	292.2
1915	236.2	140.9	377.1
1916	321.8	216.0	537.8
1917	356.4	256.1	612.5
1918	407.3	294.6	701.9
1919	573.0	356.6	929.6
1920	794.0	557.0	1,351.0
1921	278.1	357.4	635.5
1922	325.5	180.3	505.8
1923	421.1	268.9	690.0
1924	434.9	289.8	724.7
1925	354.0	297.3	651.3

4. *Internal Economic and Social Factors*

This marked development in the foreign trade and investment following 1900 produced vast changes in the internal life of Cuba. To connect cane fields with *centrales*, sugar companies built more than 9,000 miles of private railroads. To link up *centrales* and other enterprises with ports, companies constructed about 4,890 miles of public railroads. In railroad mileage Cuba ranks seventh in the Americas, being exceeded only by the United States, Canada, Argentina, Brazil, Chile and Mexico. In 1899 the provinces of Camagüey and Oriente could communicate with Havana only by sea; today they are connected not only by railroad, but by highway and airplane. In 1899 Cuba had only 256 kilometers of road; today it has more than 2,300 kilometers, of which 1,128 kilometers constitutes the Central Highway. Cuba is still in need of thousands of kilometers of good lateral highways. During the past 30 years the facilities of the telegraph and telephone have been extended to every village of importance.

Moreover, during the past 30 years numerous industries have come

into existence. The production of rum and molasses from sugar cane, and of cigars from tobacco; has long existed in Cuba, while the refining of raw sugar has greatly increased during recent years.¹⁰ Today Cuba maintains factories for the production of beer, ice, cement, garments, mineral waters, chocolate, shoes, furniture, perfumes, bottles, lumber, nails, leather, dried beef (*tasajo*), fruit jellies and pastes, canned fruits, leather goods, bricks, compound vegetable fats, condensed milk, soap, paint and paper, tile, glass, and numerous other products. Many of these industries were stimulated by the tariff of 1927, and some of them will undoubtedly succumb as a result of the new reciprocity treaty. Nevertheless, there has been a natural industrial development in Cuba which is likely to continue.¹¹

In 1899 the census listed 93,034 employed in industry, a number which had increased to 211,380 by 1933. Transportation now employs nearly 58,000 workers, general commerce nearly 123,000, and mining a little over 2,000. In the government service, including the army and navy, there are about 50,000 functionaries and employees, while the professions include 32,000. A certain amount of new employment has come into existence as a result of the effort at diversification,¹² but despite this effort 682,000 workers—the great majority of the working population—are still in agriculture, most of these being employed in sugar. According to the government census of 1929, 67.81 per cent of the national agricultural production consisted of sugar cane, 10.5 per cent grain, 10.3 per cent meat, and 4.2 per cent tobacco.¹³ In 1933 sugar still constituted 70 per cent of the total exports.

These figures would indicate that, despite the obstacles erected to the export of Cuban sugar on the one hand, and strenuous efforts at diversification within Cuba on the other, sugar remains the foundation of Cuban economy. Had Cuba been able to continue to dispose of 5,000,000-ton crops, such as were produced in 1925 and again in 1929, the sugar industry would have been extremely profitable. As pointed out in Chapter I, however, the country as a whole would not necessarily have been in a healthy condition. The fluctuations in the world sugar market, and the dependence of Cuba on the whims of the American tariff policy, created a condition of instability and insecurity.

The sugar industry, moreover, was dominated by foreign capital

¹⁰ Cf. table in footnote 12, p. 225.

¹¹ Cf. "Cuban Readjustment to Current Economic Forces," *Trade Information Bulletin*, No. 725 (Washington, U. S. Department of Commerce, 1930).

¹² Cf. p. 54 ff.

¹³ Secretaría de Agricultura, Comercio y Trabajo, *Estadística Agropecuaria, 1928 to 1929* (Havana), p. 20.

and foreign entrepreneurs, being organized on the basis of large land holdings, and was confronted with social problems almost inevitably created when an uncontrolled system of large-scale production invades the tropics and makes use of low-standard and semi-literate workers.

5. *Land Tenure*

One of the most striking features of Cuban economic development, discussed in more detail elsewhere, has been the growing concentration of agricultural land in the hands of large companies, and the decline in number of farms. Today Cuba has about 38,105 farms (a third of which are less than 2 *cabs* in size), in comparison with 60,711 farms in 1899.¹⁴

One reason for this development has been the disappearance of a form of land tenure, called the *hacienda comunera*. Although the Spanish Crown claimed all of Cuba as Crownland, the Cuban municipalities early made grants called *mercedes* to individuals, for an indefinite period. These grants usually authorized the holders to graze cattle on an area which, in the absence of a detailed knowledge of the country, was not precisely defined. The holder was authorized merely to use land extending several leagues around a known point. The grant was valid only if the concessionaire used the land and constructed a house at the center for the benefit of travelers.

Although originally these grants were of an individual nature, they gradually became collective holdings, called *comuneras*. This change arose because of the difficulties of inheritance in a primitive country. In some cases the heirs were absent in Spain; generally there was lack of adequate judicial procedure or surveys. Consequently, the heirs merely held title in common to the property, which was roughly divided into units of possession, called *pesos de posesión*.¹⁵ This system of land tenure soon gave rise to numerous controversies, and in 1819 the Spanish government provided a means whereby the estates could be voluntarily divided. The procedure proved extremely slow, and until the end of the Spanish-American War a large part of the land in Cuba was held under the system of *haciendas comuneras*.

Apparently believing that this system of land tenure constituted an obstacle to the economic development of the country and that private titles should be developed, the American military government ap-

¹⁴ *Estadística Agropecuaria*, cited, p. 7; *Report on Census of Cuba, 1899*, p. 543.

¹⁵ Ramiro Guerra y Sánchez, *Historia de Cuba*, Vol. II, pp. 182 ff.; B. Celorio, *Las Haciendas Comuneras* (Havana, 1914), Chapter II.

pointed a commission of Cuban lawyers to study the problem. As a result of their recommendations, General Wood promulgated Order No. 62 which provided for the division of the communal estates by special judicial process which was more rapid than the old procedure. The commission rejected the proposal that the government assume responsibility for dividing up the lands, but left it to individual initiative to bring the matter before the tribunals established by the order.¹⁶

Cubans criticized the working of this order and it was modified in several respects by the courts, following the termination of the American occupation.¹⁷ It was contended that the operation of the decree worked an injustice, particularly on the small and illiterate land holders. We are not competent to pass judgment on this highly technical legal question, but it does appear that the substitution of a system of private property laid a foundation for modern corporate development, and the present *latifundia* system which would not have been possible had the old system of land tenure remained in effect. The development of private property may have been desirable, but had the American occupation desired to keep control of local resources in Cuban hands, it would have worked out at the same time a system of peasant ownership and enacted legislation limiting the amount of land which foreigners might acquire. Following the termination of the American occupation, the Cuban Republic failed to take any measures in this direction,¹⁸ and the *latifundia* continued to grow.

6. The Depression

The depression came to Cuba five years before it invaded the United States. Between 1924 and 1933 Cuba's economic and social life degenerated to a marked extent. This depression has been due largely to the difficulties which have arisen in the production of sugar, to reckless investments, to the erection of excessive tariffs with the object of stimulating domestic sugar production in nearly every country in the world, to the accumulation of vast sugar surpluses, to the establishment of artificial production controls, and to the failure of governments to adopt wise commercial policies generally. The enactment of

¹⁶ *Civil Orders and Circulars*, Order No. 62, issued from January 1, 1902, to May 20, 1902, p. 163 ff.

¹⁷ Celorio, *Las Haciendas Comuneras*, cited, p. 53; Angel C. Betancourt, *Jurisprudencia Cubana* (1912), Vol. I, p. 359.

¹⁸ In 1900 the American Congress passed a joint resolution stating that every corporation engaged in agriculture in Puerto Rico shall by its charter be restricted to the ownership and control of land not exceeding 500 acres; but it was not enforced.

the Hawley-Smoot Tariff Act of 1931, increasing the duty on Cuban sugar to 2 cents a pound and imposing high duties on Cuban fruits and vegetables, was an important factor in hastening Cuba's decline.

The extent of this depression in Cuba is indicated by the fact that the export of sugar and molasses, which in 1924 amounted to \$382,193,000, declined during the following eight years to a figure of \$57,743,000 for 1932, or 85 per cent less than in 1924. The detailed situation is represented in the following table:

SUGAR EXPORTS, 1924-1933

(value in millions of dollars)

Year	Raw sugar	Refined sugar	Syrups	Total	U. S. value	Per cent
1924	374,496	503	7,194	382,193	326,198	85.35
1925	280,350	467	16,695	297,512	225,951	75.95
1926	237,202	4,976	7,905	250,083	206,871	82.72
1927	255,842	9,499	8,650	273,991	224,250	81.85
1928	199,021	15,620	8,701	223,342	169,245	75.78
1929	188,636	16,213	11,737	216,586	173,478	80.10
1930	92,471	12,732	12,221	117,424	86,106	73.33
1931	64,918	13,655	5,060	83,633	67,501	80.71
1932	39,682	14,290	3,771	57,743	42,707	73.96
1933	43,287	14,584	3,384	61,255	42,559	69.47

Owing to the erection of tariff barriers, and the decline of foreign purchasing power, Cuba's second export—tobacco—suffered a similar decline between 1929 and 1933. In the latter year the value of the exports of Cuban leaf tobacco was only \$13,861,000, as compared with \$43,067,000 in 1929, a decline of 68 per cent. Cuba also lost a large part of its export market in cigars, due in some measure to the transfer of cigar factories to the United States¹⁹ and to the growing unpopularity of cigars in comparison with cigarettes. Similarly, the export of Cuban fruits and vegetables, which reached a high level of \$5,295,611 in 1930, declined to \$2,420,744 in 1933. The trade decline was as follows:

in millions of dollars

	Exports	Imports	Total
1926	260.8	301.7	562.5
1927	257.4	324.4	581.8
1928	212.8	278.1	490.9
1929	216.2	272.4	488.6
1930	160.5	167.4	327.9
1931	80.1	118.9	199.0
1932	51.0	80.7	131.7
1933	42.4	84.4	126.8

¹⁹ In 1932 the so-called Cigar Trust withdrew its factories from Havana to Trenton, New Jersey, apparently because of labor troubles in Cuba and also because of the unwillingness of Cuban cigar makers to use cigar-making machines.

In the field of domestic finance, despite the successive increases of taxation enacted by the Machado government, government revenues steadily declined. In 1924-1925 regular revenues amounted to \$93,559,300; in 1932-1933 to \$43,652,890; the special Public Works Fund in this year was \$9,470,430, making total revenues of \$53,123,320. Currency in circulation fell from \$188,000,000 in January 1925 to \$64,506,364 in 1932 (including cash in Treasury and in banks). Owing to the severe decline in prosperity, the political disturbances in Cuba, and possibly the repeal of prohibition in the United States, tourist trade likewise showed a marked drop. Less than 8,000 tourists came to Havana in the 1934 season (December 1933-April 1934) as compared with over 86,000 in 1930.

In the country, *colonos* could not repay advances; in the cities rents could not be paid. Dispossession (*desahucios*) of city properties increased from 75,198 in 1931 to 86,998 in 1932.²⁰ The psychological effect of economic and political maladjustments was indicated by the fact that in 1932 there were 1,004 suicides in Cuba,^{20a} or 253.38 per million inhabitants, in comparison with 67.82 in Spain, 122.69 in Uruguay, and 89.79 in Chile.

7. Diversification

In return for its large exports of sugar and tobacco, Cuba imported vast quantities of foodstuffs, mostly from the United States, such as chickens, eggs, condensed milk and meat products; it also imported large quantities of jerked beef or *tasajo* from Uruguay, and rice from the Orient. Cotton goods, machinery and fuel also bulked large in Cuba's import trade.

The table on page 55 indicates the nature of Cuban imports since the World War.²¹

With the decline of sugar and tobacco exports, Cuba lost its former purchasing capacity. Cuban imports declined almost in the same proportion as sugar exports. Cuban capital and labor consequently tended to move into other industries during the past few years. This tendency was hastened by a program of agricultural instruction carried on by the Department of Agriculture, and by the enactment of the highly protectionist tariff of 1927.²² With the decline in price of sugar dur-

²⁰ *Estadísticas*, 1932, p. 270.

^{20a} Suicides in Cuba numbered 1,217 in 1931, and 1,132 in 1930.

²¹ Durruthy, *Comercio exterior y navegación*, 1919-1931, cited, p. 20. Data for 1932 and 1933 from U. S. Department of Commerce, *Special Circular No. 300*, cited.

²² Cf. p. 9.

CUBAN IMPORTS, 1919-1933

(annual average in thousands of dollars)

	1919-1923		1924-1928		1929-1931		1932		1933	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
Food products	114,986	33.48	92,261	35.00	51,771	33.92	14,523	28.47	12,245	28.93
Woven goods	49,840	14.52	37,411	14.19	27,153	17.75	10,820	21.21	9,440	22.32
Stones, tiles and ceramic products	24,577	7.15	22,629	8.58	14,486	9.47	5,543	10.86	3,534	8.34
Chemical products, dyes, perfume, etc.	20,800	6.05	18,275	6.93	12,598	8.18	5,250	10.29	5,069	11.98
Machinery	49,568	14.43	32,038	12.15	13,722	8.97	2,891	5.66	2,205	5.21
Metals	25,021	7.29	18,148	6.88	9,689	6.34	2,903	5.69	2,793	6.43
Edible oils and beverages	9,213	2.68	7,440	2.82	4,824	3.15	2,805	5.50	2,178	5.15
Paper and cardboard	7,279	2.12	6,241	2.37	4,766	3.12	2,093	4.10	1,673	3.95
Woods and furniture	12,850	3.74	8,546	3.24	4,124	2.70	1,255	2.46	993	2.34
Animals and products	15,901	4.63	9,684	3.67	3,519	2.30	867	1.70	690	1.63
Miscellaneous	12,528	3.65	10,229	3.89	5,852	3.83	1,822	3.57	1,398	3.30
Free goods (<i>franquicias</i>)	878	0.26	735	0.28	422	0.27	252	0.49	144	0.42
Total	343,441	100	263,637	100	152,926	100	51,024	100	42,362	100

ing the next few years, these duties were successively increased until in many cases they were prohibitive. The major increases were on imported foodstuffs, the duties on which in a few instances amounted in free markets to several hundred per cent of the price of the product concerned. Under such duties the rapid development of domestic production was encouraged. In addition to many industries listed above, Cuba embarked on a number of agricultural, dairying and poultry ventures.

One of the most interesting developments has taken place in the case of coffee, the production of which has been stimulated by a duty which in 1930 amounted to \$32 a hundred kilos. Largely as a result of this duty, the importation of coffee into Cuba declined from 12,972,000 kilos in 1925 to 58,600 in 1933. The Cuban market is now largely satisfied by domestic production, and the sum of seven or eight million dollars a year formerly expended on coffee is no longer sent abroad. By 1932 Cuba actually exported 6,088,932 kilos, which declined to 3,242,293 kilos in 1933. About 85 per cent of the coffee is produced in the foothills of Oriente, while most of the remainder comes from the mountains of Trinidad and from Pinar del Río. The number of coffee *fincas* increased from 2,854 in 1925 to 4,458 in 1933, while the number of acres under production nearly doubled. Production increased from 19,600,000 kilos to 23,680,000, while the number of persons employed in the crop has increased from 13,986 to 25,845. The price for Trinidad coffee per hundred pounds declined from \$20 in 1931 to \$6 in 1933.²³

Corn is a second article in which production greatly increased. This article is used not only as food for cattle and chickens, but also in the production of flour. In 1925 Cuba imported quantities of corn and corn flour. By 1932, however, largely because of the growth of internal production, imports of corn had almost disappeared. Meanwhile, domestic production of corn had increased to such an extent that a marked fall of prices occurred. This decline led corn producers to diminish their cultivation and to export more than 4,000,000 kilos. In 1933 corn imports jumped to 3,802,000 kilos, having a value of \$138,000. Cuban maize is susceptible to attack by a special worm and is difficult to preserve in good condition. If the production of maize is to be stabilized, some experts believe that the grain should be sterilized after drying and stored in iron tanks immune from attack by insects.

Following the virtual annihilation of Cuban cattle during the War

²³ Cocoa is also produced in Oriente province, 3,446,688 kilos being produced in 1925, and 1,915,350 in 1932-1933.

of Independence, Cuba for many years imported large quantities of meat. The domestic cattle industry, however, has grown to even greater proportions than in 1895. By 1932 the island contained 4,448,000 head of livestock, more than 2,500,000 head of which were found in Camagüey and Oriente provinces. In addition it is estimated that there were between 700,000 and 800,000 hogs, and between 150,000 and 200,000 sheep and goats.

These animals are used not only by farmers for subsistence purposes but also for commercial slaughter. Large cattle ranches are found, particularly in Camagüey. The number of animals butchered in the slaughterhouses of the Republic between 1928-1932 and the quantity of fresh meat obtained is shown in the following table:

Year	CATTLE SLAUGHTERED					
	Steers		Hogs		Sheep	
	Number	Kilos	Number	Kilos	Number	Kilos
1928	340,347	56,056,226	148,294	6,671,111	28,633	435,557
1929	445,454	74,544,481	176,986	9,237,998	30,480	476,296
1930	442,466	77,360,805	172,283	9,147,599	27,415	373,970
1931	408,834	70,388,008	146,534	7,825,342	26,741	397,288
1932	374,714	58,872,846	113,670	6,325,874	17,479	238,027
<i>Average</i>						
1928-1932	402,363	67,444,473	151,553	7,841,585	26,150	384,228

A similar development took place in the milk industry. It is estimated that milk production today is between 700,000 and 800,000 litres daily, only about half of which comes from organized dairies. Altogether more than 4,000 *fincas*, with 191,000 cows, are engaged in the production of milk, while several concerns manufacture condensed milk. After 1925 exports of butter and cheese began to appear. Encouraged by the tariff of 1927 and the competitions organized by the Department of Agriculture, Cubans began to raise chickens and eggs, the exact amount of which is unknown.

This development in internal agriculture, of which many other examples could be cited, was accompanied by a striking reduction in the imports of foodstuffs, as illustrated by the following table:

	IMPORTS OF MEAT PRODUCTS				
	(in metric tons)				
	<i>Fresh Meat</i>	<i>Salted Meat</i>	<i>Lard</i>	<i>Jerked Beef</i>	<i>Sausage</i>
1925	1,083	20,841	39,411	20,220	2,410
1933	30	3,530	9,897*	0	28

* 1932.

PROBLEMS OF THE NEW CUBA

IMPORTS OF DAIRY, POULTRY AND OTHER PRODUCTS

	<i>Condensed Milk</i>	<i>Cheese</i>	<i>Butter</i>	<i>Eggs</i>	<i>Dressed Poultry</i>
1925	21,765 tons	2,530 tons	1,112 tons	11,936,854 Dz.	136,442 kilos
1933	2,311 "	116 "	5 "	33 "	3,027 "
	<i>Coffee</i>	<i>Corn</i>	<i>Potatoes</i>		
1925	12,972,730 kilos	81,665,895 kilos	131,380,523 kilos		
1933	58,064 "	3,801,867 "	18,318,669 "	†	

† The figure for 1933 includes 7,512,000 kilos of potatoes, ostensibly imported for "seed," but actually to secure a lower rate of duty.

It was assumed by some observers that these marked decreases in imports meant that a domestic market had been developed as a substitute for former imports. While undoubtedly internal products to a certain extent supplanted imports, the major cause for the decrease in Cuban imports, whether of food products or other articles, was loss of purchasing power as a result of the decline of sugar exports. The customs statistics quoted above reveal that 28.70 per cent of the articles imported in the years 1932-1933 still constituted foodstuffs, or only 6.0 per cent less than the percentage of foodstuffs imported for the period 1924-1928. Although foodstuffs markedly declined, they fell off little more than imports as a whole. As far as manufactured goods are concerned, Cuban purchases of American products fell, in the case of cotton knit goods, from \$918,000 in 1928 to \$15,000 in 1932; silk knit goods, \$1,219,000 to \$136,000 during the same period; passenger automobiles from 5,598 cars in 1929 with a value of \$3,898,000 to 440 cars with a value of \$219,000 in 1933; cast iron piping from 4,654,000 pounds in 1928 to 11,000 in 1932; and electric light bulbs from 1,412,000 in 1929 to 177,000 in 1932. This latter decline, however, was affected by Japanese competition. The fundamental reason for the decline of imports was the increase in prices caused by excessive tariffs.

Several concrete examples re-inforce this conclusion. Between 1925 and 1933 coffee imports fell off nearly thirteen million kilos annually, but domestic production increased only four million kilos, part of which was exported. These figures would indicate that the consumption of coffee during 1933 was considerably less than in 1925. As a result of the imposition of heavy duties, rice imports also fell from 234,519,000 kilos in 1928 to 142,634,000 kilos in 1932, a decline of 91,885,000 kilos. Production, as shown by unofficial figures, increased from 4,550,000 kilos to 28,800,000 kilos, an increase of 24,250,000 kilos. The increase in domestic production was thus only 26 per cent of the decline in exports.

These examples would indicate that in a number of cases the result

of the policy of excessive protection, coupled with the general loss of purchasing power, was to diminish the amount of food consumed by the Cuban people and increase the cost of living. An outstanding example was the case of lard. Despite successive increases in the duty on lard, domestic producers were unable to fill the need for this product.²⁴ Consequently imports of vegetable oils and olive oil between 1925 and 1933 actually increased, while the price of lard remained much higher than in the United States. In the early months of 1934, when hog lard was being quoted in Chicago at less than 3 cents a pound, the retail price in Cuba was between 21 and 22 cents. This difference presumably was due in part to a temporary glut in the American market. Nevertheless it seems obvious that the Cuban people could obtain in the United States a fundamental article of their diet at a much lower price than they can produce it themselves. The program of economic nationalism inaugurated in 1927 may have had certain meritorious features, particularly in encouraging local production of foodstuffs, but it developed certain local enterprises at excessive cost, and did not prevent the growth of unemployment and widespread suffering. It could not free Cuba from its fundamental dependence on sugar and tobacco.

8. *The Interests of Other Countries*

Even under the colonial régime, Cuba depended to a growing extent on the United States as a market. This dependence rapidly increased following the establishment of the Republic and the conclusion of the Reciprocity Treaty of 1902 and the Permanent Treaty of 1903. A high point was reached in 1908, when the United States purchased 87 per cent of Cuba's total exports. In return, Cuba purchased large quantities of industrial and agricultural products from the United States. By 1924 Cuba was America's fourth best customer. But, as a result of the declining export trade in sugar, Cuba necessarily curtailed its purchases from the United States, and by 1933 had become our sixteenth best customer. American exports to Cuba, other than foodstuffs, dropped from \$133,089,000 in 1924 to \$18,294,200 in 1933—one-eighth of the 1924 amount. The situation is shown in detail in the following table:

²⁴ The importation of lard declined from 39,411 tons to 9,897 tons between 1928 and 1932. In the latter year the hogs domestically slaughtered amounted to only 7,842 tons, including meat and lard. Even had Cuba been able to produce lard to meet the local demand, a surplus of pork would have been created in excess of domestic requirements.

PROBLEMS OF THE NEW CUBA

CUBAN TRADE WITH THE UNITED STATES

Year	<i>Imports from U. S.</i>		<i>Exports to U. S.</i>	
	<i>Amount</i>	<i>Per cent of Total</i>	<i>Amount</i>	<i>Per cent of Total</i>
1924	\$191,571,000	66.1	\$320,263,000	83.3
1925	187,224,000	62.9	264,200,000	74.6
1926	160,051,000	61.4	242,882,000	80.5
1927	159,056,000	61.7	256,143,000	78.8
1928	122,349,000	60.8	202,533,000	72.8
1929	127,051,000	58.7	208,774,000	76.6
1930	91,872,000	56.5	116,116,000	69.0
1931	45,940,000	57.4	89,074,000	74.9
1932	27,653,000	57.3	57,482,000	71.3
1933	22,674,000	53.5	57,112,000	67.6

In short, United States exports to Cuba and Cuban exports to the United States declined not only absolutely but also relatively to the exports of other countries. On the other hand, the share of Cuba's exports taken by England increased from 7.3 per cent in 1926 to 19.4 in 1933, while the British proportion of Cuba's imports increased from 4.8 to 5.8 per cent. Spain's proportion of exports increased from 0.5 per cent in 1925 to 3.2 per cent in 1933, while its proportion of imports increased from 4.4 to 6.2 per cent.

9. *Commercial Agreements*

Attempting to increase its foreign trade with countries²⁵ other than the United States, Cuba concluded a commercial treaty with Spain on July 15, 1927. In this treaty Cuba agreed to admit free of duty from Spain mineral waters and ordinary unglazed bricks. It also agreed not to increase the tariff rates in force on September 15, 1925 on Spanish wines, liqueurs, olive oil, preserved fish, vegetables, green almonds, raisins, chestnuts, walnuts, olives, dried figs and several other products. In return, the Spanish government agreed to lower the taxes imposed on tobacco imports by the Spanish tobacco monopoly. This monopoly, moreover, agreed to purchase annually from Cuba tobacco to a value of not less than 9 million pesetas. When the Spanish production did not satisfy national consumption, the Spanish government would authorize the importation of raw sugar from Cuba at a tariff rate equal to the production tax imposed on national sugar.²⁶ Apart from these

²⁵ Most-favored-nation treatment was also accorded to Japan in Decree No. 458 of April 11, 1930, except for the special advantages granted to the United States. By Decree No. 1909 of November 29, 1929, Cuba granted Canada the benefits of its general tariff, and in return received the benefits of the Canadian intermediate tariff. *Tratados Convenios y Convenciones*, desde 1916, p. 825 ff.

²⁶ *Tratados Convenios y Convenciones*, cited, p. 295.

special concessions, the treaty granted to each party most-favored-nation treatment, except that Cuba could not invoke the benefit of this clause with regard to the concessions Spain made to Portugal or Spanish Morocco. Nor could Spain claim the benefits conceded by Cuba to the United States. Although the proportion of Cuba's foreign trade with Spain slightly improved, following the conclusion of this treaty, it was obvious that the future of Cuba was bound up with the market of the United States.²⁷

Concerned over Cuba's political instability and desirous of increasing its own exports, the United States took two fundamental steps in 1934 with regard to Cuban trade. First it enacted the Jones-Costigan Act of May 9, 1934,²⁸ authorizing a definite system of sugar quotas for the leading producers in the American market. By virtue of this Act, the amount of sugar which Cuba might annually export to the United States was fixed at 1,902,000 short tons. The President, making use of his tariff powers, at the same time reduced the duty on sugar by half a cent a pound. Apparently because of the strength of the American beet-sugar interests, the Act gave Cuba a sugar quota less than half the average amount exported to the United States between 1924 and 1929. Similarly, due to the political strength of the American sugar refiners, the Act cut down by 25 per cent the amount of refined sugar shipped by Cuba in 1932 to the United States. Nevertheless, the Jones-Costigan Act served to halt the decline of the Cuban raw sugar industry and to increase the price of Cuban sugar.

Secondly, the United States and Cuba signed a new trade agreement on August 24, 1934, supplementing the Reciprocity Treaty of 1902. In this agreement the United States undertakes to make a second reduction in the duty on Cuban sugar, bringing it to .90 cents a pound,²⁹⁻³¹ and to make tariff reductions on Cuban rum, tobacco, and

²⁷ Cuba, however, buys more than twice as much from Spain as it sells, despite Spanish remittances, etc., as the following table indicates:

	<i>Exports to Spain</i>	<i>Imports from Spain</i>
1928	\$ 4,340,282	\$ 9,382,433
1929	3,273,138	8,929,258
1930	2,484,715	7,583,587
1931	1,781,024	4,181,442
1932	1,487,780	2,979,092
	<hr/>	<hr/>
	\$13,366,939	\$33,055,812

²⁸ Technically this Act constitutes an amendment to the Agricultural Adjustment Act, but will be known throughout this report as the Jones-Costigan Act.

²⁹⁻³¹ Cf. p. 261. The duty on rum was decreased from \$4 to \$2.50 a gallon; the duty on wrapper tobacco from \$1.90 to \$1.50 a pound; on cigars from \$2.80 a pound and 20 per cent ad valorem to \$2.25 and 12½ per cent ad valorem.

fresh fruits and vegetables. In view, however, of the tobacco control program of the United States, tobacco imports were limited to 18 per cent of the total amount of tobacco used in the United States for cigars during the previous year. While by this ingenious means the American control program is protected, it is possible for Cuban tobacco exports to increase next year to the extent of \$2,000,000. Although the United States agreed to lower the duty on Cuban vegetables and fruit, such reductions take effect only during the season when vegetables and fruits are not being produced in the northern climate.³² The extent of these concessions to Cuba is indicated by the fact that the Cuban agreement has met with severe criticism from Puerto Rico, on the ground that the reductions in duty on Cuban products will cut into the sales of Puerto Rican tobacco, vegetables and fruits, which enter the United States free of duty. In return for benefits thus given to its sugar, rum, tobacco and vegetables, Cuba makes a number of concessions to the United States. In the first place it reduces import duties on American goods, usually by increasing the American preferences as established by the 1902 treaty over the regular Cuban duties. In the second place Cuba agrees not to increase the existing rates of duties on a large number of American products during the life of the agreement.³³ Thirdly, Cuba agrees to clarify its existing customs nomenclature which will work an advantage to American business and foreign trade generally.³⁴ Fourthly, Cuba agrees to reduce internal taxes on many American products, and not to increase internal taxes on numerous articles imported from the United States.³⁵ This concession is of importance particularly in the case of hog lard, for Cuba agrees to abolish by September 3, 1936 the consumption tax of \$1 per 100 pounds on this article. Cuba also agrees to abolish a similar tax on wheat flour within two years. Finally, Cuba agrees not to impose any quantitative restrictions

³² In the case of grapefruit the reduction in duty is limited to the season from August 1 to September 30; in the case of lima beans and squash, from December 1 to May 31; in the case of potatoes, fresh tomatoes and cucumbers, from December 1 to the end of February; in the case of eggplant and okra from December 1 to March 31. Although avocados remain on the free list, Cuba agreed, in an exchange of notes, to prohibit all shipments of avocados to the United States annually except during the months of June to September, thus giving 100 per cent protection as far as Cuba is concerned to avocado producers in Florida and California during the remainder of the year. Moreover, the reduction in sugar made by the treaty remains in effect only so long as the American quota system exists. Cf. p. 263.

³³ The agreement shall remain in full force for three years and thereafter may be terminated on notice by either government. In the event of termination the convention of 1902 automatically resumes operation.

³⁴ These changes in nomenclature were made by unilateral decree preceding the signature of the agreement.

³⁵ The United States undertakes a similar obligation with respect to Cuba.

on any article receiving the benefit of tariff reduction in the treaty.³⁶ Cuba (as well as the United States) is likewise bound to refrain from imposing any new restrictions on the transfer and means of payment which places an undue burden on trade.³⁷

Cuba's most valuable concessions to the United States probably relate to hog lard and allied products. Thus it agrees gradually to reduce the duty on such lard from \$9.18 to \$1.45 per 100 pounds. Similarly it undertakes to reduce the duty on cottonseed, corn, and soya bean oil from \$4.36 per cwt. to 88 cents in the case of crude production and on the refined product from \$6.45 to \$1.36. Moreover, it increases the American preference on crude oil to 35 per cent and on refined to 30 per cent. Somewhat less striking reductions in duty are made on pork products other than lard, such as bacon and cured ham. Similarly, Cuba makes concessions, largely by increasing the American preference, in the case of wheat flour, rice, fresh, dried or evaporated fruits, animal and poultry feeds, canned sardines, salmon and other fish and shellfish, canned peas, asparagus, canned meats, corn, crackers and biscuits. The Cuban government grants concessions in the case of a limited number of textiles, a 30 per cent preference increase in the case of rayon fabrics and silk yarn and other yarns. Passenger automobiles, radios, motion picture sound equipment, industrial machines, iron and steel bars and structural shapes, copper wire, cast iron piping, electric light bulbs, American cigarettes and numerous other products are similarly benefited.

As a result of these concessions, the local hog industry,³⁸ and the manufacture of crude and refined vegetable oils which is being carried on primarily by the Hershey Corporation will probably be eliminated. It does not follow, however, that the maintenance of hogs

³⁶ The United States accepts the same provision, but the restriction is in reality one-sided because the United States is expressly authorized to impose a quota on Cuban sugar and tobacco. Both countries may impose prohibitions or restrictions on grounds of public security, public morality, etc., or when the purpose is "to extend to imported products a régime analagous to that affecting like or competing domestic products, such as restrictions imposed on imported products the production of which may be restricted within the importing country." Another apparently one-sided provision is that the reduction in the sugar duty made by this agreement automatically expires in case the quota system established by the Jones-Costigan Act lapses, although the Cuban reductions are made permanent for the life of the treaty. Similarly the advantages granted Cuban tobacco expire if the tobacco control program of the United States is terminated.

³⁷ Apparently this provision is to prevent the re-enactment of the monetary Decree-Law of June 2, 1934, although the article does not apply to measures restricting the exportation of gold and silver. Cf. p. 326, footnote 17. In the event that the government of either country considers that the other has not complied with the provision, it may terminate the agreement on thirty days' notice.

³⁸ The agreement still retains a duty on United States lard of \$3.20 per hundred kilos, the ad valorem equivalent of which is about 23 per cent.

by local farmers will necessarily be impaired by this treaty. If the Cuban government wishes to develop domestic hog-raising for sustenance in contrast to commercial purposes, it would do well to remove the present restrictions on the use of hog cholera serum. Moreover the new treaty will probably prevent the expansion of Cuban manufacture of nickel and aluminum. To protect one small stamping mill producing kitchenware and giving employment to less than twenty workers, the Cuban government had imposed a virtually prohibitive duty amounting to over 50 per cent ad valorem. The trade agreement provides for a reduction on these products in the United States rate from \$50 to \$37.50 a hundred kilos. Similarly, during the negotiations the Cuban government unilaterally reduced duties on mixed paint, enamels, lacquers and varnishes to the level existing in 1927, and the agreement binds these duties against increases. This reduction will probably curtail the unsound development of certain branches of the local industry in which President Machado had been personally interested. In increasing the American preference in regard to rice the agreement may impede the commercial expansion of rice in Cuba, but it will hardly injure the existing industry which has not expanded during the last several years despite heavy tariff protection. On the other hand the new agreement does not affect adversely the Cuban production of the following foodstuffs, although many of them were imported at one time from the United States: salt, oleo, oil, eggs, poultry, corn, meat and dairy products, black beans and blackeyed cow peas,³⁹ potatoes,⁴⁰ certain by-products of the vegetable oil industry, sausage, and ordinary crackers. Likewise the new agreement does not jeopardize production of cotton piece-goods of the type which Cuba manufactures, such as cotton sheeting, chambray and denim. In the case of coarse cotton knit fabrics and also of cotton sewing thread, no preferences were granted the United States. The new agreement does not, moreover, injure the domestic gray cement or brick industries, the production of small soil and drain pipes, nor the Cuban furniture and tanning industries. Although the American preference on soap duties is increased 10 per cent, this increase does not seem to be enough to disturb the local soap industry which has been protected by very high duties. In order to decrease the cost of the local shoe manufacture the American preference on leathers used in shoe making

³⁹ On red beans, which Cuba is now producing in increasing quantities, a slight concession is made to the United States.

⁴⁰ However, during the period when Cuba imports potatoes, July 1 to October 31, the United States duty is reduced by 50 per cent.

was increased 10 per cent, but no change was made in the United States rate of preference in regard to shoes, thus leaving the Cuban leather shoe industry intact.

The new trade agreement does not interfere with the excessive protection given a number of domestic industries which do not seem to have justified their existence from the standpoint of the country as a whole. For example, as a result of enormous protection a single local industry supplies practically the entire demand for soil pipe although such pipe could probably be purchased much more cheaply abroad if the duty were lower. Similarly, the new treaty hardly affects the local production of toilet waters and powders which exists only by virtue of excessive protection and charges the consumer a price far above what the quality should justify. Nor does it interfere with a 60 per cent ad valorem duty on silk wearing apparel which at one time was imported in large quantities. Today a few factories, none of which are owned by Cubans, control the market, supplying an inferior quality to the Cuban consumer at a high quality price. The only change made by the trade agreement in this situation is to increase the American preference 10 per cent, thus reducing the duty on the American product to 50 per cent ad valorem.

Although the trade agreement protects most of the recent diversification developments in Cuba, it does increase the advantage of the United States over foreign competitors for Cuban trade. The agreement will undoubtedly injure the export of olive oil to Cuba by Spain, since this oil has been imported as a substitute for lard, the price for which has now been reduced. Moreover the concessions made to the United States by Cuba will make it extremely difficult for Japan to compete in the field of yarns, copper wire, electric bulbs or cellophane. Japan buys little from Cuba, however, and so is not in a position to retaliate. In some cases the method used to increase the American advantage, i.e., by increasing the American preference together with increasing the general Cuban rates—will raise prices to the Cuban consumer.⁴¹ Nevertheless Cuba retains complete liberty to reduce specific rates and to abolish duties entirely, provided only that in the case of reduction of rates the percentage of preference granted the United States is observed. In this respect the trade agreement differs from the Ottawa pacts concluded by the British Commonwealth of Nations,

⁴¹ No increases in duty were made in the trade agreement, but in Decree-Law No. 440 of August 24, 1934, the Cuban government unilaterally increased duties on more than 300 items, *Gaceta Oficial, Edición Extraordinaria*, No. 76.

which established for designated products absolute margins in pounds sterling below which no rate could be reduced. Moreover, increases in the American preference are limited largely to products imported chiefly from the United States. In negotiating this agreement Cuba took precautions to protect major imports from Great Britain and Spain (except in the case of olive oil) so as not to injure the British market for raw sugar and the Spanish market for a cheaper grade of tobacco.

In particular, the trade agreement does not affect a large number of products which are sold to Cuba for the most part by foreign countries other than the United States. A list of the leading products is as follows:

<i>Article</i>	<i>Total Trade 1932 (in thousands of dollars)</i>	<i>Chief Supplier</i>	<i>Per Cent from United States</i>
Rolled iron sheets—tinned	\$ 242.8	United Kingdom	47.9
Tanning materials	134.7	Spain, China, Italy	17.1
Patent medicines	847.9	France	35.6
Biological products	104.4	France, Germany	63.5
Thread for hand weaving	509.8	United Kingdom	9.1
Jute sacks	2,006.9	British India	26.9
Fabrics of hemp, flax	205.8	Ireland, U. Kingdom	.3
Fabrics of other vegetable fibres	217.5	Belgium, Japan	26.2
Fabrics of other vegetable fibres	122.0	Japan, U. Kingdom	31.7
Wool fabrics: in piece	419.7	United Kingdom, France, Spain	5.2
Silk fabrics: in piece	847.6	Japan	72.5
Paper (Manila)	170.6	Germany, Switzerland	50.3
Rushes for hat manufacture	126.2	United Kingdom, Japan, Switzerland	.1
Cheese	117.4	Holland	20.1
Condensed milk	730.7	Netherlands, Norway	11.9
Codfish	524.8	Norway, Canada	1.7
Chick peas	402.8	Mexico	.3
Onions and garlic	189.9	Egypt, Chile, Spain	14.6
Onions and garlic	161.8	Spain	38.2
Olive oil	1,341.3	Spain	.01

There are also a large number of other articles, the importation of each of which in 1932 was less than \$100,000.

The trade agreement with the United States does not increase the American preference in regard to any of these articles and Cuba remains free to negotiate with any other foreign country concerning them. It is true that if Cuba agrees in a trade agreement with a third state to reduce the duties on any article the United States would

automatically receive a preference over the regular duties thus reduced. For instance should Cuba agree to reduce in favor of the United Kingdom the rate of duty on cotton thread for hand weaving, the preferential rate to the United States would be based upon the new rate granted to the United Kingdom, not the old rate. Nevertheless, inasmuch as foreign countries already predominate in the trade of the articles listed above, it is improbable that the application of the preference principle would seriously interfere if Cuba wished to make real trade concessions to foreign countries in these products. In fact should Cuba reduce the general duty in these products the actual spread in dollars between the general and the preferred rate would be decreased and as a result the American share of the trade would presumably fall off. If the United States is not able now to obtain a major share of the trade of the items above, there is little reason to suppose that it would increase its share if the general Cuban duty were lowered.

It seems fair to conclude therefore that the trade agreement between Cuba and the United States represents a marked effort to revive leading Cuban exports and stimulate American foreign trade without seriously affecting the recent diversification movement in Cuba and without closing the door to trade negotiations between Cuba and other foreign countries.

The Jones-Costigan Act, together with the new trade agreement, offer Cuba a market for the future which will not be as great as that which it enjoyed in the United States before 1925, but which for a period of at least three years will be reasonably secure. During this period Cuba is given an opportunity to reorganize its internal economy with a view to building up agricultural pursuits to supplement its dependence on sugar and tobacco and to solve the many social problems which now exist.

CHAPTER IV

FAMILY ORGANIZATION AND STANDARDS OF LIVING

The family is the fundamental institution upon which Cuban society rests.¹ None of the other forms of social organization are comparable in strength to the family.

Local communities are but loosely knit together. In the great majority of cases the Cuban municipalities and provinces do not have deep historic or cultural roots. Although nominally the population is Catholic, the church seems to have small influence. A few Protestant organizations are active and may be growing, but they are still weak.

Apart from the family, the principal form of nonpolitical institutionalized association is the social club, which ranges in character from the fashionable Country Club and Yacht Club of Havana, and the flourishing Rotary clubs in the leading cities, to the casinos and *liceos* found in the small villages and the clubs among the colored population. Even the little mountain hamlet of Sierra near Cienfuegos, with a population of only 200, has a social club which would be a matter of pride to any American town of 2,500.

1. *The Cuban Family*

The Cuban family is interesting because of its form of organization, size and strength, and the rôle which it plays in the social structure. It is a monogamic unit in which the position of women is unusually high. In the city districts it tends to follow the organization of the typical modern urbanized family, but in the country it often takes on the characteristics of the peasant stem-family still found in

¹ Whether the family is losing ground in Cuba as in other countries is difficult to say. In 1919 the number of families showed an increase of only 19.5 per cent over the number reported in 1907, although the population had increased 41 per cent. *Censo de la República de Cuba, 1919*, p. 381. During this period the family probably increased in size. Since 1910, however, the birthrate of the country seems to have declined. Cf. Chapter V. Divorces have increased during the past few years, now numbering about 400 annually. The rate in 1932 was 100 per million population, which is much less than the United States, which has a rate of 1,280. Cuba, in common with many other countries, has many free unions. The percentage of such free unions to legal marriages declined from 23 per cent in 1899 to 19 per cent in 1907 and 13 per cent in 1919. The percentage increased, however, to 16 per cent in 1931. These free unions, however, tell little about the strength of the family.

many parts of Europe and in isolated districts in the United States. As a result of this and other factors, the family which lives on a unit budget of income and expenditures tends to be larger than that found in the rest of North America. Less attention is paid to birth restriction than in the industrialized countries of either Europe or America. Partly due to the foregoing factors the family displays greater solidarity and strength, and plays a much more important rôle in the total social organization than in the commercialized cultures with which Cuban society is compared.

Since in one section of Cuban society domestic life and agriculture are emphasized, while in another section the gainfully employed are either workers on the plantations or reside in the cities, it is inevitable that the family should play a varied rôle. In the purely rural and less commercialized areas, the family has more solidarity and takes a greater part in the total social organization than it does on the plantations or in the cities. In general, however, the economic rationalization of Cuban life is so little developed as compared with that in industrialized countries that the family has an exceedingly important share of the social functions.

The Cuban family is larger than that found in industrialized countries, and its rural element is also larger than the urban. This, however, is partly offset by wealth. Since the general familistic pattern is strong, many of the wealthy urban families have a number of children or support very large groups of other relatives. The family of a well-to-do *colono* who lives in Santiago may serve as illustration. His family consists of himself (45), his wife (41), a daughter (23) who is a school teacher, a son (21) who assists him in his business, and other children aged respectively 20, 18, 16, 14, 12, 10, 8, 6, 4 and 2 years. His mother, 70 years of age, lives within his household and he contributes to the support of two brothers, one 47 and one 34. Finally, a brother-in-law and his family live in a house owned by the *colono* and have not paid rent since the beginning of the depression. This family had a total economic income during 1933 of \$9,100, or about \$600 a person. This amount may be compared with less than \$90 a person for all of Cuba in the same year.

Ordinarily, however, such families as these are to be found connected directly with agriculture and reside in the rural districts. For instance, a farmer living on 85 acres of land near Holguín had the following family of 23 persons; the head (55), the wife (48), twelve children from 7 to 26 years of age, two daughters-in-law, and 7 grand-

children. The family lived in three houses but under only one budget of income and expenses. The paternal household included the head and his spouse and ten children. Two other houses on the same farm included each a son and a daughter-in-law, and the seven grandchildren. The two oldest sons had left home and were working in Holguín. This family had a cash income of \$605 and a goods income of \$950, or a total of \$1,555. The real income per person was \$68, or less than the national average. No observer, however, would fail to admit that their standard of living and way of life were considerably above the average for Cuba.

At Preston a family of 12 may be cited for illustrative purposes. The head was a resident laborer in the barracks who cut cane during the *zafra* and planted cartroads² during the dead season. He was 45 years of age and his wife 34. The ten children ranged from two months to 18 years. The total income was \$387, \$127 of which was in money. This gave an average of about \$32 per person per year. Farming was inadequate on the 2¼ acres of cartroads and their diet was very limited.

These are extreme and not average cases. We have been using what the sociologists call the typological method, rather than that of averages.

To say that the rural Cuban family averages 500 persons for each 100 households and that they have less than \$90 per person of real incomes to consume during 1933 does not give a clear picture of the situation.

Some tables are given to present the situation by figures. They cover 113 families, cases selected to represent the layers of Cuban life from that of the cane worker through that of the fairly wealthy *colono*. They include mainly rural families. In order to be representative of all Cuba, about 25 families should have been added from Havana, as they already include a representative group from Santiago, and from the important smaller cities of the island. Three income groups are given in the table and for each such group the number of households studied are divided into groups by size. Of the 41 families with incomes up to \$601, 16 had more than five members. Fifteen of the 25 families with incomes between \$601 and \$1,000 and 39 of the 47 families with incomes above \$1,000 had more than six members. The Cuban families

² Cartroads are those openings in a cane field which serve jointly for hauling the cane to the switches and for fire barriers. They must be kept clear, and are used by many of the *batey* workers during the dead season.

with children have greater numbers than families in industrialized countries.

SIZE OF TYPICAL FAMILIES ACCORDING TO INCOME GROUPS

Number of Persons per Household or Family

<i>Real Income Groups</i>	1	2	3	4	5	6	7	8	9	10 or more	<i>Total Families</i>
Up to \$600	3	3	8	8	3	4	6	2	0	4	41
\$601-\$1,000	1	0	4	2	3	2	2	2	3	6	25
\$1,001-\$9,090	1	0	1	2	4	6	5	3	9	16	47
All groups	5	3	13	12	10	12	13	7	12	26	113

The next table gives the average size of family and the median income per family and per person.

AVERAGE SIZE AND ECONOMIC CONDITIONS OF FAMILIES BY INCOME GROUPS

<i>Real Income Groups</i>	<i>Median Real Income 1933-1934</i>	<i>Average Persons per Household or Family</i>	<i>Real Income per Person for 1933-1934 based upon Median</i>
Up to \$600 (masses)	\$ 362	4.34	\$ 84
\$601-\$1,000 (comfortable class)	824	6.88	120
\$1,001-\$9,090 (well-to-do)	1,520	9.23	165
All groups	\$ 826	6.93	\$ 90

In interpreting this table it should be clearly understood that medians are used instead of averages and that these families are not weighed by their prevalence in the total population. The average situation in Cuba is expressed most closely by the first group—up to \$601. The per capita income of the well-to-do is underestimated because the most prosperous families were also the largest. Since we have divided the average size of family into the median income for this well-to-do group, their per capita income appears unduly low.

It is important to state that one-third of the families among the masses are of six or more persons and, further, that there is a close relationship between wealth and size of family. The census bears out the conclusion that among both the well-to-do and the poor the size of the Cuban family is comparatively large.

The relation between wealth and family size is reciprocal in two respects. The more workers there are per family, the higher is the family income. A man and wife make one worker and two consumers, or a ratio of one to two. From the time of marriage until the rural child reaches 12 this ratio decreases because the children are consumers

and not workers. After 12 or 13 years of marriage, workers increase more rapidly than consumers, chiefly because the fertility falls off and small children consume very little. The increase in the number of workers results in greater income, until the family tends to reach the zenith of its economic strength.

The second circumstance correlating wealth with family is that the well-to-do not only can afford to take care of their children until a later age, but use more discretion in fitting them for life. As long as the family hangs together its basic property does not have to be divided. Generally the head of the family picks one member who is to succeed him and hold the family property together. All other members who do not have good opportunities in the outside world stay attached to the homestead. Inevitably the wealthy and the large families have some relationship with each other.

We go into these concrete details to show that the Cuban family plays a rôle somewhat different from that attributed to the family in urban societies. More familism and less individualism are found. The society is familistic and is held together by this bond. That is one of the reasons why the depression has brought less suffering in Cuba than would have been the case had the family been weaker.

2. *Standard of Living*

In many respects the Cuban upper classes have the habits of the upper classes of other countries. At one time many of them were very wealthy, built imposing residences in the Vedado and Miramar, and spent their weekends on country *quintas* or farms. Today this class has lost much of its money, while the condition of the professional classes—doctors, lawyers, writers and teachers—is in many cases almost as bad as that of the country population. Innumerable doctors, lawyers and teachers now earn only \$50 a month; while the salaries of government officials, even in important positions, is equally low and often months in arrears.

From the cultural point of view the small middle class is educated in the classical tradition. The masses of the people, however, have had limited educational training and opportunities. In 1899, 63.9 per cent of the population could not read.⁸ Although the situation has improved under the Republic, even today at least half the population is illiterate.

⁸ *Report of the Census of Cuba, 1899*, p. 148.

Despite the high rate of illiteracy the mass of the Cuban people possess native intelligence, and some of them have shown determination to rise in the social scale. When they rise, they satisfy not only their economic needs but also give expression to artistic instincts which poor economic conditions tend to repress. Further, the population is lacking in certain vices which afflict other countries. Except among the upper classes, there is very little alcoholism. The prostitution which exists is limited to the cities, but it is doubtful whether it is more prevalent than in other countries. A widespread vice is gambling—expressed in the upper classes by games at the casinos and purchases of lottery tickets, and in the lower classes by wagers on cockfights. The latter diversion absorbs the major attention of many village Sundays as does baseball in the United States. The position of women in the family is relatively high. Few women are seen working in the fields, and even the lowliest take pride in dress. Shoes are worn by the population to a much greater extent than in other tropical countries.

Seasonal Incomes

Although in Cuba sugar has developed an industrialized economy which to a certain extent represents the most advanced forms of science and engineering, and although the country has had a high-priced and stable currency, the standard of living is low and fluctuating. Other chapters emphasize the seasonal nature of the sugar industry, and have indicated how, as a result of the depression, the dead season has been lengthened. The tobacco industry is subject to the same variations; and even at the best plantations in this industry there are at least three months of the year when only one-third of the workers are engaged and seven other months when two-thirds or less are occupied. This is illustrated by the following figures (page 74) from one of the tobacco companies which has less seasonal concentration of labor than most Cuban rural firms.

Into these seasonal occupations the pattern of Cuban life is fitted. With the sugar crop, activity commences over the island. Families begin to purchase meat and rice to build up the terrific energy which must be expended in the field. Clothing and shoes are bought. Traveling salesmen for firms having warehouses full of imported food and clothing crowd the second-class hotels in the rural towns of the island. Lights appear about the countryside as the families once more have enough money to purchase kerosene. The fall is generally dry and

PROBLEMS OF THE NEW CUBA

MONTHLY PAYROLL IN A PROSPEROUS TOBACCO-PRODUCING FIRM

<i>Month</i>	<i>Payroll for Field Laborers</i>	<i>Payroll for Salaried Personnel</i>	<i>Total Payroll</i>
June 1933	\$ 16,563	\$ 6,217	\$ 22,780
July	29,314	4,770	34,084
August	28,340	4,680	33,020
September	30,063	4,860	34,923
October	31,505	4,920	36,425
November	29,065	4,920	33,985
December	31,517	4,935	36,452
January 1934	46,572	5,095	51,667
February	45,525	5,190	50,715
March	26,190	5,190	31,380
April	12,988	5,190	18,178
May	12,141	4,325	16,466
Total	\$339,783	\$60,292	\$400,075

PERCENTAGE OF FIELD LABOR EXPENSE FOR EACH MONTH

100 Represents the Expense of the Highest Month of the Year

<i>Month</i>	<i>Percentage</i>
June 1933	35.6
July	62.8
August	60.5
September	64.9
October	67.7
November	62.5
December	67.7
January 1934	100.0
February	97.8
March	56.2
April	27.8
May	26.1
Average	60.8

cane fires constantly break out on the horizon. The bulls and oxen used for hauling cane to the *central* have gathered strength after several months of rest in the pastures. During a normal season everything quickly assumes an air of prosperity. But after two to five months of steady employment the atmosphere begins to change. The bulls become worked out with their constant activities, particularly if the end of the season is rainy. The cane families begin to reduce their expenditures because they can see the dead season ahead. Each worker is willing to take a lower paid job if he can only have something to do for money. Storekeepers reduce the stocks on their shelves and the traveling salesmen retire to Havana. Gradually the prosperity of the *zafra* passes

away and the kerosene lights in the *bohíos* begin to flicker out. Meat, rice with lard, and beans, which have been the foundations of the *zafra* diet now come fewer times each week. The cane cutter looks about him for substitute foods, turning to plantains, sweet potatoes, *malanga* and *yucca*. Instead of drinking coffee, he begins to depend on cane juice which he manufactures by a crude hand press in his doorway. Gradually, the people reduce their diet. The masses, who do little or no planting of their own, beg and pick up their food as best they can or migrate elsewhere for work if such can be found. The rains begin and with them comes malaria. Yet there is no money for doctors or medicine.

This picture exaggerates the situation for the good years, when prices were high, when wages were such that peasants had money saved at the end of the grinding season, and when *centrales* employed a larger proportion of workers for cultivation and replanting or development. But such times are no more, at least for the present. Wages fell as low as 20 cents per day in 1933 and virtually no work was done in the fields of many plantations during the dead season. For several years some plantations made their workers cultivate part of their food, but with the rise in price of sugar in 1934 many of these experiments were quickly abandoned. The Cuban countryside has been reared on a sugar economy; despite the fertility and abundance of land, the Cuban masses do not know how to farm. The standard of living of Cuba is marked by a short time of plenty—during the *zafra*—followed by a long period of tightening the belt. In the absence of public charity, the country population has held together principally because of the solidarity of the Cuban family.

As already suggested, the Cuban peasant searches for a goods income only under the pressure of circumstances. The standard of living depends primarily on the state of the sugar industry. When sugar is down, rents in Havana, Santiago, Camagüey and elsewhere fall into arrears, while the sugar worker is reduced to a sweet potato and cane juice diet. When wages are high, the people spend their money immediately. Capital accumulation is not prevalent. The primary need of Cuba is the development of a goods income which will make the worker more immune to the fluctuations of the business cycle, and cushion his standard of living against the shocks experienced by the sugar market.

Range of Incomes

The low range of incomes, whether of a cash or goods nature, is shown by the following examples for the tobacco firm already discussed. This company had a capital background, a market and a policy which enabled it to pay more money and take better care of its workers than almost any other firm in the island. Conditions in this firm consequently represent an average which is considerably better than that of the masses of the rural people in the island. This company paid \$400,075 in wages and salaries between June 19, 1933 and June 19, 1934. This represented the total and only cash income of 975 families, or an average of \$410 per family. This is a general average covering field laborers paid \$1 a day, sorters at \$1.25, irrigation engine watchers at \$1.50, carpenters at \$2 a day, and salaried workers ranging from \$45 per month for messengers and carters up through time-keepers at \$100, bookkeepers at \$165, and field managers at from \$200 to \$300 per month, as well as the work of the women in sorting the tobacco during certain seasons of the year. On the whole, there was an average of about three or four workers per family because even the young girls sorted tobacco a month or two during the processing season. The total economic income of the average family during the period from June 1933 to June 1934 may be tabulated as follows:

ITEM OF REAL INCOME	Amount
Wages and salaries for the average family, including the total 975 families, or from 3,500 to 4,000 workers	\$410
Free rent per family at about the same rate which would be charged for the house at the most prosperous American sugar <i>central</i> in Oriente province	60
Garden products grown on company land at average retail prices at the American sugar <i>central</i>	45
Cows, pigs and chickens, including eggs kept by the families (average)	10
Piped drinking water, supplied by the company to the houses through the estate irrigation system	10
Fuel from company property (average)	5
Medical attention and funeral help supplied the families where necessary (all medical attention was free)	15
Toys for Christmas presents to the plantation children costing \$2,000 in total	2
Clothing made at home	7
Unemployment insurance paid for by the company (average value per family)	10
Total real income	<hr/> \$574

Within this average there was considerable differentiation. The total real incomes ranged from a minimum of about \$200 per family up to \$3,000 for one or two cases. The modal point was about \$350 to \$400.

This was an unusual case because even a nearby firm, an old family property which was well managed, paid its average laboring family only \$361 in cash during the year and gave them much less accommodation and other allowance. On this second estate money incomes per family ranged from \$25 to \$1,200 per year if a few share-tenants be excluded. The first estate had only "administration" tobacco, whereas the second had 17 families called *partidarios* who raised it on shares. On this estate the average family had a net real income of about \$450 per year with a modal point below that of the more prosperous tobacco firm. In each case incomes were much higher in 1934 than in 1933. In 1933 28 cents was paid for sorting 25 pounds of tobacco, whereas 48 cents was paid in 1934. On another estate 36 cents per *arroba* had been paid in 1933, and 50 cents was being paid in 1934. On the large estate from which the table of real incomes was given on a preceding page the minimum wage had been raised from 80 cents to \$1 after a "sympathetic" strike of short duration in December 1933.

On the sugar estates conditions as to real income and standard of living were lower during 1934 than in the tobacco industry. A prominent Pinar del Río sugar *central* owned by a Cuban family gave the following results:

ITEM OF REAL INCOME	Amount
Average money income per family	\$200
Free rent computed as the others	36
Free fuel picked up about the plantation	20
Food cultivated on family land	60
Cows, pigs, chickens and eggs kept by the average family	20
Tobacco home-grown for smoking by a few of the families (average)	3
Clothing made at home	6
Total real income per family	\$345

This was an old family estate where customs which have disappeared in many parts of Cuba still prevailed. Some of the women still worked in the cane fields. The owners took a great deal of interest in the condition of the workers and had repeatedly insisted that each man do at least some gardening. Here also conditions were a great deal better in 1934 than in 1933.

On some of the other sugar plantations conditions were much worse.

Some of the firms were bankrupt and had no money for cultivation of the cane. The grinding season had been extremely short. During the winter of 1933 some estate owners who had money gave clothing to their workers. Practically all of them had plowed up the cane rows and other spare land and had even made the workers plant subsistence crops. Seeds had been furnished free. By 1934 conditions had improved with a longer grinding season and the rise in price of sugar. Few of the estates, however, had been able to pay their workers in 1934 more than an average of \$250 per family in cash. In addition to this, each family had a subsidiary goods income if it cared to work at subsistence activities. It is probably a true statement that, for the year 1934, the average family in rural Cuba had an income in goods, money, free rent and other things of not more than \$400 per year. In 1933 it was much less, probably averaging not more than \$250 per year. These figures may be interpreted in the light of relative price levels in the United States for the same period. Prices tend to be about the same or somewhat higher than in the United States. In the period studied the following average prices for important comparative articles prevailed:

<i>Article</i>	<i>Unit</i>	<i>Average Price</i>	<i>Relative to Av. Prices in U. S.</i>
Ordinary polished rice	pound	5¢	About the same
Flour (wheat)	"	5¢	Higher
Beans	"	5-7.5¢	About the same
Pork	"	—	Higher
Fresh beef (all kinds)	"	10-15¢	Lower
Lard and substitutes	"	18-23¢	Higher
Potatoes	"	3-5¢	"
Coffee	"	28-33¢	"
Bread	Loaf 1½ lbs.	10¢	About same or higher
Sugar	pound	2-3¢	Lower
Rent	Three-room thatched cottage on lot of 3,000 sq. ft., wood floor, no light, water, chim- ney, screens nor window- panes	\$60 per year	Same cottage would cost about as much in rural districts of small town of America
Charcoal	—	About \$20 per year per family	About same as gas for cooking in average Amer- ican family
Cotton dresses and clothing of all types	—	—	Same
Shoes	—	—	Same considering quality is poorer

As later tables in this chapter indicate,⁴ the masses of the people expend 60 per cent of their income on food, which means that their standard of living is considerably lower than the masses of Western peoples with whom the Cuban is in contact. The people of European nations and North America, for example, generally spend between 30 and 45 per cent of all income on food. The Asiatics, on the other hand, expend between 55 and 75 per cent. Thus the standard of the Cuban approaches that of the Asiatic, although he lives in constant contact with European and North American cultures. A hundred dollar increase annually in food production per family would put the Cuban family within range of the material standard of living of the so-called Western cultures which the Cuban wishes to emulate.

Diet

The diet of the Cuban lower classes is inferior. Among investigators there is considerable disagreement as to what constitutes the proper test of diet. The majority of recognized dieticians conclude that one of the most important measures of diet adequacy is whether or not it is "freely chosen" of the traditional food elements. During the dead season the Cubans do not secure enough food. During the *zafra* those employed eat meat, beans and rice. However, many have a poor diet the year around.

It is often said that the Cuban diet is under-proteinized. The mass of the population live chiefly on a few starchy foods, such as plantain, *yucca*, *boniato* and *malanga* except during good times. They eat few fresh vegetables, such as carrots, spinach, lettuce and onions, although these vegetables may be grown on the island.

In order to understand how the masses of Cuban families fed themselves, some computations were made on the basis of lowest average prices in Cuba for the cheapest foods which the Cuban uses in his diet. The assumption was made that the average individual should have 3,000 calories of energy value, 67 grams of protein, .68 grams of calcium, 1.32 grams of phosphorous, and .015 grams of iron per day. This is what dietitians estimate as a minimum for a moderately active man. Since the Cuban who works in the cane field is intensely active a part of the year but loafs a good deal during the dead season, it was estimated that on the whole he needed the food of a moderately active man.

⁴ Cf. p. 94.

In order to meet these food requirements, according to the 1933-1934 standard, the following quantities are required per average adult equivalent per year:

MINIMUM FOOD FOR ONE YEAR FOR AN ADULT MALE CUBAN

<i>Food</i>	<i>Amount</i>	<i>Lowest Average Prices</i>	<i>Cost at Lowest Prices</i>
White Rice	100 pounds	5 cents a pound	\$ 5.00
Corn Flour	181 "	2.5 " " "	4.53
Wheat Bread	40 "	7.5 " " "	3.00
Whole Milk	150 quarts	4 " " quart	6.00
Lard	45 pounds	10 " " pound	4.50
Crude Sugar	50 "	3 " " "	1.50
Meat	10 "	10 " " "	1.00
Beans	153 "	5 " " "	7.65
Vegetables	250 "	2 " " "	5.00
Total			<u>\$38.18</u>

This gives 3,000 calories, 82.4 grams of protein, .62 grams calcium, 1.64 grams of phosphorous, and .019 grams of iron per adult equivalent per day. The diet as presented shows an excess of protein, a slight deficit of calcium, and an additional amount of iron. However, the cost of a freely chosen diet, giving the exact amounts needed, would be the same as the above. Probably more beans are prescribed than necessary and less meat, in order to have a variety of different types of protein. All of these are sample foods, assuming that corn products will be used in place of corn flour, substitutes for lard in order to get it at this cheap price, and that most of the vegetables will be plantains, sweet potatoes, *yucca* and *malanga*. No computations were made as to the vitamin content of the above diet because the assumption is made that the people vary their diet in order to secure the vitamins.

No matter what may be the average income in Cuban families, the fact stands that the great masses probably did not average more than \$250 per year during 1933-1934. The analysis of diet costs and diet adequacies for the families with incomes averaging \$250 a year consequently applies to a considerable proportion of the Cubans. These poor families spent in 1933-1934 an average of \$0.129 per day for food, ranging from \$0.0685 per adult per day for the poorest studied to \$0.239 for the one with an income of \$330 for the family for the year. One-third spent less than \$0.10 per day for food per adult.

The diet described above costs about \$0.10 per person per day. One must estimate, however, that most families are not capable of buying at

the cheapest prices or of being able to understand the diet value of food. Accordingly, if we allow 20-25 per cent for inefficiency in selection and preparation of food, which is not unreasonable, we are forced to the conclusion that the diet for the masses of the people during 1934 was at an absolute maintenance minimum.

It is clear that living conditions among the workers in Cuba for families with real incomes up to \$600 per year per family cover the masses of the population. The living conditions of those with less than \$600 a year are typical, and fluctuations within their standard of living reflect closely the total standard of living of the people of the island. In order to measure this and to show what it is we shall take typical families, chiefly from the central and eastern provinces, and summarize their conditions. Major attention is paid to food conditions, because diet reflects closely the general condition of the population of the island. In the summary below we give the results for forty-one carefully selected typical families, mainly from the rural parts of the island.

3. Typical Families⁵

Province	Occupation	Net Inventory of House-		Remarks
		hold	In- come	
1. Camagüey	Cane cutter living alone.	\$ 18	\$124	He exists from hand to mouth depending chiefly on cane juice and sweet potatoes during the dead season.
2. Oriente	Sweeper in <i>central</i> ; family of four.	18	174	The diet is freely chosen during the working season. During the dead season he peddles meat for an existence.
3. Camagüey	Haitian field laborer with wife.	105	190	The <i>central</i> is bankrupt. They live on cane juice and a few vegetables raised on plot of land farmed inefficiently during the dead season.
4. Oriente	Migratory cane and coffee laborer from Haiti; family of four.	none	200	They have an inadequate diet.

⁵ The income includes goods, rent and cash for the year, and the remarks describe the diet and subsistence activities. If no subsistence activities are mentioned, none of importance exist. In that case many beg or secure additional food by unknown methods.

PROBLEMS OF THE NEW CUBA

3. *Typical Families* (Continued)

Province	Occupation	Net Inventory of House- In- hold come		Remarks
5. Camagüey	Haitian field laborer and wife.	\$ 38	\$204	They only have enough to eat and tobacco to smoke during <i>zafra</i> .
6. Santa Clara	Field hand and family of seven.	25	210	They are able to eat meat once a week during the dead season. His employer forced him to cultivate two acres last year but he will not do it this year.
7. Oriente	Resident field laborer in barracks; family of six.	20	217	They eat rice and meat during <i>zafra</i> . Farms cartroads inefficiently for beans, corn and sweet potatoes during dead season.
8. Oriente	Partly employed common laborer in Santiago; family of five.	15	228	They did not pay rent and beg for part of food. Meat and milk once a week when working.
9. Santa Clara	Single Spaniard mechanic in sugar mill.	20	261	He owed \$40 for board. Company permitted him to eat on credit.
10. Camagüey	Mechanic in sugar <i>central</i> and beggar in dead season; family of eight.	50	281	Their diet is extremely limited. They squat on company land and beg in dead season.
11. Oriente	Sugar bag carrier and subsistence gardener; family of five.	15	315	Inefficient subsistence farmer whose family tries to have lard for cooking daily. Company gives them milk. Affords a little meat during <i>zafra</i> .
12. Oriente	Semi-skilled painter for <i>central</i> who fishes during dead season; family of four.	35	316	They limit dead season diet primarily to fish.
13. Oriente	Field worker and 2-acre farmer; family of four.	160	318	Farming inadequate. Have no milk. Diet fairly good except middle and last of dead season.

3. *Typical Families* (Continued)

<i>Province</i>	<i>Occupation</i>	<i>Net Inventory of House- In- hold come</i>		<i>Remarks</i>
14. Oriente	Field worker who cultivates one acre; family of three.	\$ 30	\$320	Income limited to 8 months. Diet freely chosen only during <i>zafra</i> . Gardening helps.
15. Santa Clara	Field worker and carter who cultivates 3½ acres during dead season; family of seven.	85	322	Only one worker in family of seven but his farming enabled them to have meat once a week even in dead season.
16. Oriente	Semi-skilled mechanic cultivating one acre; family of five.	75	330	He is poor gardener but his income enabled them to have freely chosen diet in working season and to live fairly well other times.
17. Oriente	Farms 24 acres of Company land not good for cane. Wife died this year, so he is alone.	202	335	They had freely chosen diet in spite of expenses for wife's sickness and death.
18. Oriente	Day laborer employed full time; family of four.	29	337	Diet freely chosen. Full-time occupation enables freely chosen diet year around.
19. Oriente	Field worker and settler in foothills on company land. Seven-acre farm for family of seven.	77	349	He farms inefficiently. They have fairly free diet year around.
20. Oriente	Haitian bull driver in cane, and coffee picker. Migratory laborer; family of three.	120	360	Diet limited but better than that of average migratory due to gardening in coffee plantation and help of wife.
21. Oriente	Sweeper in factory. Keeps goats and chickens for subsistence; family of seven.	60	362	They have fair diet, with meat during working season. Goats furnish milk and they have eggs during dead season.

PROBLEMS OF THE NEW CUBA

3. *Typical Families* (Continued)

<i>Province</i>	<i>Occupation</i>	<i>Net Inventory of House- In- hold come</i>		<i>Remarks</i>
22. Oriente	General farmer on 17 acres. A former cane worker who changed to general farming during depression; family of six.	\$118	\$379	Diet tends to be excellent. Tends to sell everything to build up his farm stock and equipment.
23. Oriente	Foothills settler on 12 acres who sells tobacco and furnishes 2 cane cutters from his family of three.	192	383	Excellent diet the year around, including milk, pork and lard daily. They raise living on twelve acres.
24. Oriente	Resident field laborer in barracks; family of twelve. Cultivates cart-roads.	25	387	This large family has an exceedingly limited diet, particularly during the dead season.
25. Oriente	Cart driver and semi-independent farmer on 5 acres; family of three.	224	389	This small family has excellent diet year round. They have milk, meat and 12 lbs. of rice weekly the year round.
26. Santa Clara	Semi-skilled mechanic in <i>central</i> ; family of seven.	94	401	Diet is limited in dead season but have 2 goats, few chickens and killed two pigs during year. He is always willing to work on farms during dead season for part of crop.
27. Camagüey	Carpenter and barber in country with small garden; family of three.	535	419	They would live rather well were it not for medical expense for defective child.
28. Oriente	Asst. foreman in Santiago brewery; household of four.	3040	419	They live well. He worked in sugar during the Dance of the Millions and saved to buy his home.
29. Camagüey	Carpenter who does small subsistence farming in dead time; family of ten.	30	477	He is in debt and paid off \$20 this year. Income left them little for meat. "Sometimes we eat meat and sometimes we don't."

3. *Typical Families* (Continued)

<i>Province</i>	<i>Occupation</i>	<i>Net Inventory of House- In- hold come</i>		<i>Remarks</i>
30. Oriente	Cane dump foreman with large garden for dead season; family of three.	\$232	\$479	Lived fairly well but afforded meat only during working season.
31. Oriente	Laborer permanently employed by College of Agriculture at Santiago; family of five.	15	479	They have excellent diet. Employer gave them milk daily.
32. Oriente	Teamster, bull owner in sugar industry, and farmer on 5 acres of company land; family of four.	265	480	Family building up homestead. Diet fairly good now. Shows signs of future prosperity.
33. Santa Clara	Field hand in cane and subsistence farmer during depression only; three workers in family of six.	63	480	Never farmed before 1933. Diet freely chosen now due to farming and to relatively great number of workers.
34. Santa Clara	Field hand in cane and farmer on 5 acres; family of twelve.	77	485	Diet fairly good. Large family with three workers. Meat twice weekly in <i>zafra</i> .
35. Oriente	Mill engine driver and fisherman; family of eight with one worker.	40	513	Diet freely chosen due to keeping 2 goats and to fishing activities.
36. Havana	Printer in Havana. Skilled laborer for exceptionally good firm; family of four.	120	515	Fairly free diet. General strike of 100 days was surmounted by aid from brother and fact that firm voluntarily paid him \$5 weekly.
37. Santa Clara	Telephone lineman for <i>central</i> ; family of three.	6785	550	Diet freely chosen in spite of sickness and doctor's bills. Property is estate inherited by wife.
38. Camagüey	General farmer on 55 acres; family of five.	3680	568	Diet excellent. Family depends on income from 2 sons in army instead of helping itself.

3. *Typical Families (Continued)*

Province	Occupation	Net Inventory of House- In- hold come		Remarks
		hold	come	
39. Oriente	Storekeeper and merchant among settlers in foothills. Gardens during spare time. Family of two, recently married.	\$435	\$576	Diet freely chosen. Invested \$100 in business during year.
40. Santa Clara	Widow who is merchant and general farmer on crossroads 5 miles from Placentas; family of six.	925	582	Well-rounded diet. Lack knowledge of how to use milk.
41. Santa Clara	Asst. <i>mayoral</i> who farms 3½ acres for subsistence; family of seven.	379	597	Buy ½ lb. of meat daily in <i>zafra</i> . Diet fairly good. Inefficient farmer.

4. *Wage Levels and Unemployment*

A less accurate approach to standards of living may be found by quoting wage statistics.⁶ In 1932-1933 the average wage paid to mechanics and other workers in the sugar *centrales* (*bateys*) was 83 cents a day—a figure which increased to \$1.35 the following year. In the first of these years cane cutters received only 20 cents per one hundred *arrobas*, a sum which increased to an average of 38 cents in 1933-1934. According to indices prepared by the Department of Labor, wage levels in the western provinces of Cuba today are considerably lower than in 1909-1910. In the latter year, the average wage in Havana province was \$1.53, the index standing at 75 (based upon 1923 as 100). In 1921-1922 the index stood at 100, wages averaging \$2.05. By 1931 the average had fallen to \$1.45 and the index to 71. Since then, of course, wages have declined still further. In Matanzas, the index stood at 91 in 1909, 206 in 1920, and 86 in 1931.^{6a} While the accuracy of these statistics may be questioned, they undoubtedly indicate the general trend. In Havana servants receive \$8 a month on the average, while in the interior they receive \$4. The mines pay laborers \$1 a day; restaurants and cafés in Havana pay their employees \$14 a month,

⁶ The number of days worked in each occupation is not known, although presumably employment in the leading industries, such as the railroads, is fairly constant.

^{6a} In Oriente the index stood at 73 in 1909, 154 in 1921, and 102 in 1931; in Camagüey, the index was 75 in 1909, 108 in 1922, and 112 in 1930; in Santa Clara it stood at 90 in 1909, 98 in 1922, and 85 in 1931.

including food. At the Bacardí rum distillery, one of the largest and best plants in Cuba, wages of ordinary workers were \$1 a day in 1931, falling to 90 cents during the next two years but returning to \$1 a day in 1934. Mechanics received \$2.75 a day in 1931, \$2 in 1932 and 1933, and \$2.25 in 1934. Wages paid various types of employees by the cement company, El Morro, average \$1.29 a day. The average daily wage paid by the Consolidated Railways to track and switchtenders, and watchmen was \$1.49 in 1928-1929; by 1930 this figure had fallen to \$1.15, but rose to \$1.62 in 1931-1932, and fell to \$1.35 in 1932-1933. The average daily salary paid all employees, including departmental officers, declined from \$2.76 in 1928-1929 to \$2.21 in 1932-1933. Generally speaking, the basic wage of the industrial and city workers ranges in the neighborhood of \$1 a day.⁷ The city worker actually employed tends to have higher wages and higher real income than the worker in the country because wages are higher and, on the whole, price levels are the same for most articles. Beans, rice, coffee, sugar, and rents for the same quality of housing are about the same. Often the *central* and rural firms give all or part of the rent as a part of income. Where they do charge, rates are about the same as in the city considering the quality of the houses. Milk, however, is higher; and generally the city worker has more expensive desires than the man in the country. There is more chronic unemployment in the cities, however, than in the country; and many workers have little prospect of re-employment, unless a general business recovery of major proportions occurs.⁸ For the unemployed in the cities there is little or no opportunity to eke out an existence through subsistence farming.

A government census places the number of unemployed in Havana at 43,361, which at four persons per family represents the total support of 150,000 to 175,000 people. For the island as a whole there are no statistics, but according to unofficial estimates the figure runs as high as 250,000. This may include some dead season unemployment. These figures account for wage earners for at least a quarter of the entire population. Roughly and conservatively it may be estimated that about 20 per cent of the people of the island were in the submarginal level (under \$300 real income) in 1934 and about 60 per cent in 1933. In 1934, 60 per cent were in the level between \$300 and \$600, eking out a physically satisfactory living but with little sustaining power. Ability

⁷ Decree-Law No. 163 (*Gaceta Oficial*, April 25, 1934) fixed this sum as the minimum for government employees.

⁸ The shrinkage in employment is indicated by the fact that while the Consolidated Railways employed 8,015 men in 1928-1929, it employed only 2,955 in 1932-1933.

to exist at this level is due in large part to agricultural activities during the dead season not carried on by the lower income families, and in part to the fact that some workers have year-round employment, while some small families have many workers. In 1933 probably not more than 10 per cent of the people were above the \$600 level—a figure which rose to 20 per cent in 1934.

In general the Cuban has no backlog of savings or goods income of importance until the \$300 level is reached. This is due chiefly to the fact that there is no peasant or homestead economy of importance in Cuba. The latent resources of the island are ample to provide at least for the minimum wants of these people, and to raise the general living level to a marked extent if a well-considered reconstruction policy is adopted.

5. *A Family Budget Analysis*

In support of the thesis set forth in this Chapter, six tables are presented. These apply to 113 cases of families which were selected as being typical of certain classes of Cubans. Information on incomes, expenditures, wealth accumulations, and living conditions were gathered from each of these families.

The totals do not depict the situation in Cuba as a whole, but of the 113 families studied. The average situation in the country is about or below the "middle" group. Income as used means net total economic increments in goods and money. The poor class includes families with less than \$1 economic income per day per family. Factually, this class has a range from \$124 to \$332 per family per year. The middle class includes families with net income from \$330 to \$582 per year; the comfortable class ranges from \$597 to \$982 per family per year; the well-to-do range from \$1,000 to \$2,000 per year; the wealthy include those with more than \$2,000 a year. In this study the range of income was from \$2,082 to \$9,099 per year. The adult equivalent scale used in Table VI is as follows.

Male, 16 or over	1.0
Female, 16 or over	0.9
All under 16	0.5

In recording "household size" each person was counted as a unit and each person 16 years or over as an adult. Wage earners are those working for a non-family member for pay. A farmer and seven sons might work together, but as long as they worked on their own farm no record was made of any of them as a wage earner. In most in-

stances, however, the farmer would contract to cut cane at so much per 100 *arrobas* or 2,500 pounds, or to weed a given space of ground for a definite sum. Then the family worked for an employer at a contract price for piece work, and all working members were put down as wage earners. In many cases there were more workers than adult males because younger children led the bulls or helped in the cane cutting.

All values are recorded in United States dollars. Real and personal property was valued at its sale price in Cuba. In order to have a common standard, the values at a large American sugar *central* in Oriente Province at the time of the study were used throughout all the rural parts of the island.

Real property includes land, homes and homestead rights. If a laborer built a cottage and created a homestead on company land and if, according to custom, he had to be remunerated for these items or could sell them should he die or be forced to leave, these values were entered as real property. In most cases they are noted as "squatter's rights." "Personal goods" includes furniture, furnishings and clothing. "Productive equipment" includes all farm machinery, farm animals, money, stocks and bonds, and other values owned by the household.

Income was recorded in "money" and in "goods" and a total was drawn up by source. Wages or contract earnings are easily understood. In many cases wages included rent of a house, and sometimes light, water, fuel or fuel rights, medical service and milk, all of which had direct economic values. These items are entered as wage income in goods. Household industries include such domestic occupations as the making of clothing from cloth instead of purchasing it ready-made, the repairing of shoes, doing laundry for outsiders, farming or gardening for subsistence only and a few other sources of goods income. The most prevalent types found in Cuba were the making of clothing and gardening for subsistence.

Subsidies are rewards, gifts, or assistance given on account of custom or social status without regard to economically productive work. Gifts from relatives, pensions, and unusual aids by employers during shortages were the most common types of subsidies found. Some firms followed a principle as far as possible of making "work" instead of giving direct subsidies. Others gave subsidies in goods. Many reduced rentals of houses, if such were charged, and others contributed to the educational expenses of the children of worthy employees. Subsidies are very common in Cuban society.

All farm income as reported here is "net" after deduction of ex-

TABLE I

AVERAGE INCOME						
Class	Total Number of Families	Wages or Contract Earnings Total	Household Industries Total	Subsidies Total	Farming Total	Other Sources Total
Poor	15	151.33	56.47	10.53	17.53	9.47
Middle	25	212.52	71.48	11.68	101.84	46.28
Comfortable	25	432.24	86.96	9.68	205.28	53.52
Well-to-do	34	694.26	118.65	51.38	438.12	78.97
Wealthy	14	856.71	105.71	51.43	1327.57	770.21
Total	113	477.77	91.35	27.96	366.58	142.52
					Total Money	Total Goods
					148.53	96.80
					260.84	182.96
					523.60	264.08
					935.53	445.85
					2686.43	425.21
						Total
						1106.16

Com-
bined
TotalTotal
MoneyTotal
GoodsOther
Sources
TotalFarm-
ing
TotalSub-
sidies
TotalHouse-
hold In-
dustries
TotalWages or
Contract
Earnings
TotalTotal
Number
of
Families

Class

TABLE II

AVERAGE VALUE OF HOUSEHOLD INVENTORY						
Class	Total Number of Families	Real Property	Personal Goods	Productive Equipment	Debts	Net Value of Inventory
Poor	15	6.67	20.73	14.87	—	42.27
Middle	25	405.80	79.20	238.12	26.72	696.40
Comfortable	25	545.20	109.24	228.80	51.20	832.04
Well-to-do	34	2923.53	250.58	1192.94	99.44	4267.62
Wealthy	14	13380.36	691.07	3916.07	775.71	17211.79
Total	113	2748.67	205.46	949.39	143.27	3760.26
						Per cent Debts are of Total
						—
						3.70
						5.80
						2.28
						4.31
						3.67

Per cent
Debts are
of TotalNet Value
of
Inventory

Debts

Total

Productive
EquipmentPersonal
GoodsReal
PropertyTotal
Number of
Families

Class

penses. A man was not considered a farmer unless he sold something. In most instances the goods income from the farm was more important than the cash receipts, but both were noted under farming if the man sold any commercial products. If a *guajiro* had his home on the farm, the farm was credited with a goods income for the equivalent of the rental value of the house, price levels at the large American cane mill in Oriente being adhered to as much as possible.

"Other sources" of income include any not mentioned above. Thus, income from property, from money, from non-salaried occupations and from numerous other sources were entered here. The totals are for "goods," for "money," and for the two combined. The total income is supposed to represent real incomes of the families, at about the same price levels as prevailed in the rural parts of our own southern states during the same period.

Expenditures are also divided into "goods" and "money." In every case the goods income and the goods expense balance. The savings, if any, were made in money, and their disposition is explained in the attached notes. Housing includes rent or "imputed rent," expenses for furniture, taxes on houses, repairs, fuel, light and other miscellaneous expenses about the building or furniture. "Food" includes all dietary goods, whether produced at home or purchased, and coffee. Alcoholic stimulants and tobacco, whether used at meals or on other occasions, were included in "other expense." Meals eaten away from home were considered as part of the food expenses, but no separation was made. Clothing included the value of garments and shoes purchased and the additional values added by home manufacture where materials were bought or secured and made up at home. This is important in Cuba because, as a rule, the women do little work outside the home and nearly every home has some type of sewing machine.

A separate category of expenses was made for relatives and the poor. Most of these expenditures were for relatives. The country people give food left in the fields to beggars, provided it is not needed for their own household. These gifts were generally small in amount and difficult to record. However, they by no means touch the importance of contributions among the family members, as one can see from an analysis of the text.

Neither do the amounts entered as expenditures for "relatives and poor" indicate the significance of family life in the budget of the Cuban. It includes only expenditures. In case the family received gifts from other members, these are entered as subsidies under the income

TABLE III

AVERAGE EXPENDITURE PER FAMILY

Class	Total Number of Families	Housing	Food			Clothing	Relatives and Poor	Other	Total Expense
			Goods	Money	Total				
Poor	15	46.73	51.47	100.40	151.87	28.13	5.06	20.00	251.80
Middle	25	68.92	107.76	153.32	261.08	56.72	4.20	49.48	440.40
Comfortable ..	25	109.04	133.48	292.48	425.96	129.24	24.92	88.60	777.76
Well-to-do ...	34	181.56	245.00	410.97	655.97	235.24	39.12	223.62	1335.50
Wealthy	14	382.71	221.29	631.86	853.14	415.07	89.57	630.00	2370.50
Total	113	147.62	161.32	313.89	475.23	167.08	29.98	178.54	998.45

TABLE IV

PERCENTAGE DISTRIBUTION BY INCOME SOURCE FOR SOCIAL CLASSES

Class	Wages or Contract Earnings	Household Industries	Subsidies	Farming	Other Sources	Total
Poor	61.68	23.02	4.29	7.15	3.86	100.00
Middle	47.88	16.11	2.63	22.95	10.43	100.00
Comfortable ..	54.88	11.04	1.23	26.06	6.79	100.00
Well-to-do	50.26	8.59	3.72	31.72	5.72	100.00
Wealthy	27.53	3.40	1.65	42.66	24.75	100.00
Total	43.19	8.26	2.53	33.14	12.88	100.00

section. Finally, most important of all, the great mass of Cubans who cannot afford to send money to their relatives take the members into their own homes. One can see this readily by observing the figures on household size. A fair estimate would be that one Cuban family out of three is receiving help from another of the three at any particular time one wishes to take a cross section of the society. As explained in the text, the organic unit of Cuban society is the family, much more so than in American society.

"All other" expenses include those for religious, medical, dental, insurance, educational, reading, transportation, drinking, smoking, entertainment and personal purposes. These are explained in the text. All other expenses are the "sundry items" in most budget analyses.

These tables are more or less self-explanatory. However, it should be pointed out that income increases not only from one source (i.e., wages) but from all sources in moving from the poor to the wealthy. Household industries more than double, subsidies increase five times, farming income fifty or sixty times, and other sources a great deal. Goods incomes mount more than four times as contrasted with the more rapid increase of cash income. This is due chiefly to the fact that there are greater limits on continuous increase of goods income as contrasted with cash income. In the lower and middle classes, the well-being of the Cuban is as much determined by increases in goods income as it is by cash.

Table II shows the poverty of property holdings of any kind among the masses of the people. Table III gives living expenditures subdivided into a number of groups. Since goods income consists mostly of food, the food classification of expense is divided into goods and money. All the families with less than \$330 income had an average of \$251, of which \$150 went for food alone. If they had produced \$100 more of food, which they could have done very easily during the dead season, they could have raised their standard of living to that of the middle classes without reference to any increase in wages. Table IV shows that their chief characteristic is their almost total dependence on their employer.

TABLE V
PERCENTAGE DISTRIBUTION BY EXPENDITURE SOURCE FOR SOCIAL CLASSES

Class	Housing	Food	Relatives and		Total	Average Deficit or Surplus
			Clothing	Poor		
Poor	18.56	60.31	11.17	2.01	100.00	- 6
Middle	15.65	59.28	12.88	.95	100.00	+ 3
Comfortable	14.02	54.77	16.62	3.20	100.00	+ 12
Well-to-do	13.59	49.12	17.61	2.93	100.00	+ 46
Wealthy	16.14	35.99	17.51	3.79	100.00	+ 880
Total	14.78	47.60	16.73	3.00	100.00	+ 108

TABLE VI
AVERAGE EXPENDITURE PER ADULT EQUIVALENT BY INCOME CLASS

Class	Number of Adult Equivalents	Housing	Food			Relatives and Poor	Other	Total
			Goods	Money	Total			
Poor	50.2	13.96	15.38	30.00	45.38	1.51	5.98	75.24
Middle	94.7	18.19	28.45	40.48	68.92	1.12	13.07	116.26
Comfortable	134.1	20.33	24.88	54.53	79.41	4.65	16.52	145.00
Well-to-do	242.8	25.42	34.31	57.55	91.86	5.48	31.31	187.02
Wealthy	105.4	50.83	29.39	83.93	113.32	11.90	83.68	314.87
Total	627.2	26.59	29.07	56.55	85.62	5.40	32.17	179.89

CHAPTER V

PUBLIC HEALTH

I. *Vital Statistics of Cuba*

Statistics of any type and particularly vital statistics are generally considered the dullest and least interesting information ever assembled by mankind. This is not true at all. Vital statistics, when suitably interpreted, give a fascinating insight into the growth and development of a people, the ebb and flow of the fight of mankind against an ever-grudging nature, the defeats, calamities and terrible tragedies that sometimes overwhelm a people, the triumphs of the intelligent application of sanitary principles.

There is no better illustration of this than an interpretation of the available demographic data of Cuba. The history of the island, its present stage of development and its potentialities may be better understood through an analysis, by statistical methods, of even the fragmentary data available. The graph of the death rates of the city of Havana from 1800 to 1932¹ tells a romantic, often tragic but always glorious, epic tale of the most striking battle in the history of the conquest of the tropics by the white race. Long periods of relative prosperity and happiness were followed by devastating scourges of pestilence that threatened to overwhelm the city. Cholera, yellow fever, malaria, smallpox, typhoid fever, plague, typhus fever, famine and war took an enormous toll. It must have seemed during these periods that the whole island was doomed to complete destruction. But slowly, gradually, decade by decade, the tide of conquest turned in favor of a courageous, tenacious people who were undaunted by nature's most vicious onslaughts and mankind's most stupid cruelties, and Havana, one of the most beautiful and healthful cities of the tropics, finally emerged.

The vital records of Cuba previous to 1900 are fragmentary, although we find fairly complete death records for over a century for

¹ George Le Roy, *Vital Statistics of Cuba* (Havana, Sanitary Conference of League of Nations, 1925).

the city of Havana. The Havana records give clear evidence of overwhelming epidemics of smallpox, cholera and yellow fever. These epidemics overshadowed a high endemic incidence of typhoid fever and other enteric diseases, tuberculosis, and a high infant mortality.

The first real attempt at compilation of accurate data was undertaken by Dr. George Le Roy, who was selected as Director of Vital Statistics in 1903 and continued his work with devotion and enthusiasm until his death in 1934. Practically all the demographic information that is available and which is utilized in this report came from his hand and has been abstracted by us from analyses made by him.

Independence brought about a tremendous improvement in the general health conditions in Cuba. This improvement is due to a multitude of causes, some of which are:

1. Determination by the Yellow Fever Commission of the mode of transmission of yellow fever.
2. Organization of a national public health service.
3. Improvement of local hospitals throughout the island.
4. Broad sanitary programs for the establishment of adequate and safe water supplies for the larger cities.
5. Plans for adequate sewage disposal systems for cities. (Not as yet completely executed.)
6. Establishment of a national quarantine system.
7. Establishment of special hospitals for tuberculosis, cancer, leprosy, maternity, etc.

We have no exact information concerning the results that have been secured by these various public health measures, as the demographic data compiled since 1898 are incomplete, and the information previous to that date is extremely fragmentary. We do know that the growth of the population in Cuba, and particularly the city of Havana, since the independence of the island has been rapid.²

This increase has been derived from two major sources: (a) natural increase, e.g., surplus of births over deaths, and (b) immigration.

Graph II³ gives the birth rate (five-year averages) for Cuba and Havana, together with the annual respective death rates.

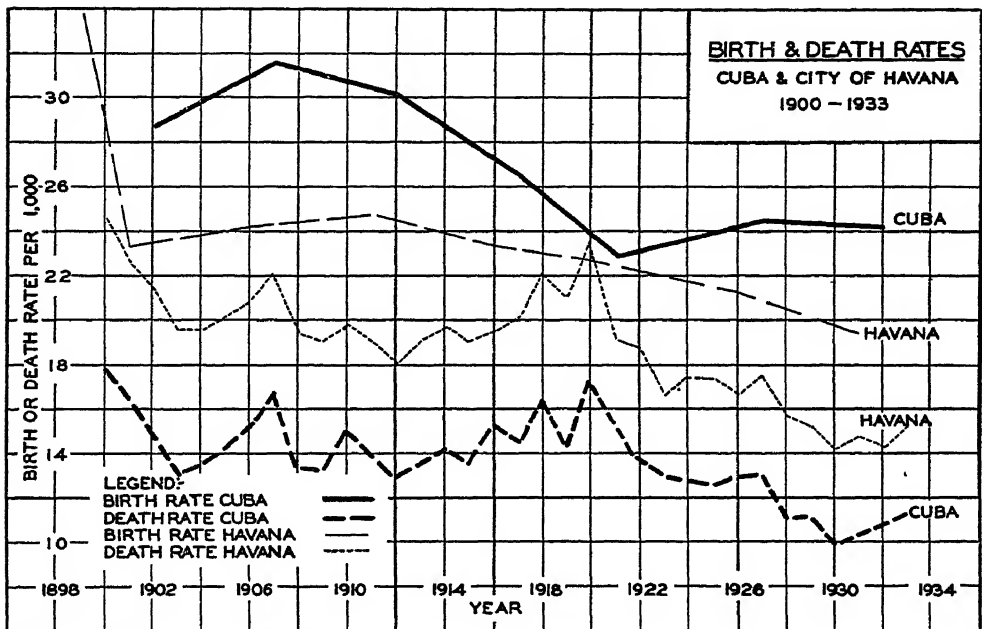
For a variety of reasons over which he had no control, Dr. Le Roy never succeeded in securing an accurate, annual registration of births in Cuba, or even in Havana. We have calculated the five-year average birth rates, since the annual rate shows great fluctuation because of the system of registration.

² Cf. Graph I, p. 25.

³ Cf. p. 97.

The rate for the island is approximate only, and does not include all the births. It is similar to that of Argentina, Spain and Italy, but is far below Jamaica, Guatemala, Chile and Japan. The birth rate for Havana is consistently lower than for the island as a whole, approximating the rate in Ireland, Scotland and Denmark. The birth rate of Cuba and also Havana, in common with almost the whole world, has fallen steadily since 1900.

GRAPH II



The death records of Cuba are more accurate than the birth records and are our most dependable index of the influences of the environment upon the population.

Death records for Havana have been kept with a fair degree of accuracy for over a hundred years and the fluctuations of this curve are most illuminating. The greatest period of disaster was 1897-1898 when war, starvation and pestilence killed one person in ten in a single year. Since that terrible year the trend in the death rate in Havana has been steadily downward until in 1932 it reached a rate of 14 per thousand. The death records for the island as a whole have been compiled fairly accurately since 1900. The rate is consistently lower than the rate of the capital.

There are several reasons for this, chief of which are:

1. Havana is the hospital center and many very sick persons from the interior come to Havana for treatment and die there.

2. The Havana records are probably much more complete than those from the interior.

Some of the provinces, due to recent migration, have a selected population which normally has a low death rate. The mortality rate by provinces shows wide fluctuations which, we believe, do not indicate the actual hazards of the region, but rather inaccuracy or incompleteness of reports.

TABLE I
BIRTH AND DEATH RATES BY PROVINCES 1931 *

<i>Province</i>	<i>Population 1932 Census</i>	<i>Live Births</i>	<i>Still Births</i>	<i>Live Births per 1,000 Population</i>	<i>Deaths</i>	<i>Death Rate exclusive of Still Births</i>
Pinar del Río	346,630	5,638	599	16.2	3,872	11.1
Havana	991,235	15,151	1,242	15.2	13,592	13.8
Matanzas	343,884	7,001	510	20.3	4,315	12.5
Santa Clara	826,540	14,638	1,239	17.7	9,144	11.0
Camagüey	414,214	6,190	494	14.9	3,850	9.3
Oriente	1,084,336	17,088	1,476	15.7	8,834	8.1
Total	4,006,839	65,706	5,560	16.3	43,607	10.8

* Data furnished by V. Sallés.

Despite the incompleteness and inconsistencies of the data that are available, we can draw certain definite conclusions from the crude death and birth rates.

1. The birth rate for Cuba was high up to about 1900, always higher for the interior than for the capital. Both rates have steadily declined in recent years and will probably continue to do so.

2. The death rate for Cuba was incredibly high during the last years of the insurrection. It fell rapidly at the time of the American intervention and at no period since has it exceeded the birth rate. There has been a very slow but rather continuous decline in the death rate, which has now reached a point closely comparable with that of the southern portion of the United States. Further decline will be slow.

An analysis of the death rates for specific conditions gives a fairly accurate index of the public health problems of any country. Unfortunately, the data for Cuba are fragmentary. The information in regard to Havana itself is much more accurate, but does not represent island-wide conditions. Nevertheless, certain data may be presented which give an approximation at least of actual conditions.

2. *The Leading Diseases*

Malaria is certainly the most important public health problem in Cuba. It is impossible to do more than guess at its prevalence. The larger cities are relatively free from the disease, though infection undoubtedly does occur within the boundaries of Havana itself.

In general, malaria is most prevalent and severe in those areas of greatest recent agricultural development. Oriente Province suffers most. The ravages of the disease fluctuate with economic conditions as well as with climatic variations. There is good reason to believe that a combination of highly unfavorable conditions, e.g., high rainfall and the depression, has made 1934 the worst malaria year in a decade.

In some sections of the interior practically every one is infected with tertian malaria during the months of April to September. But even in the most heavily infected areas, the well established methods of malaria control promptly reduce the devastation of this disease to the vanishing point. The United Fruit sugar plantation at Preston in Oriente Province is a good example of this principle.

TABLE II
DEATH RATE FROM MALARIA PER 100,000 POPULATION

	<i>Cuba</i>	<i>Havana</i>
1928	12.57	3.44
1929	8.87	1.18
1930	8.25	.95
1931	10.45	.93
1932	17.46	2.89
1933	—	3.34

Table II gives the death rate from malaria during the past five years. These data are fragmentary and do not give the true picture. The annual death rate for the whole island probably is not less than 20 per 100,000. In Havana itself, malaria in years past had a death rate 300 to 400 per 100,000 annually, but during the past decade this disease has never passed a rate of 4 per 100,000.

In brief, the disease has become essentially an infection of the agricultural worker and causes an untold amount of illness and loss of time from work. It is subject to control in most areas, but requires constant vigilance and continuous intelligent effort. Much has been done; but much more remains to be done.

The second most important cause of preventable illness and one of the most important single causes of death in Cuba is tuberculosis—a

disease influenced greatly by social maladjustments. Again the data in relation to this disease are fragmentary. In the interior the deaths from this disease are not completely reported. The best data are for the city of Havana. (See Graph III and Table III).

GRAPH III

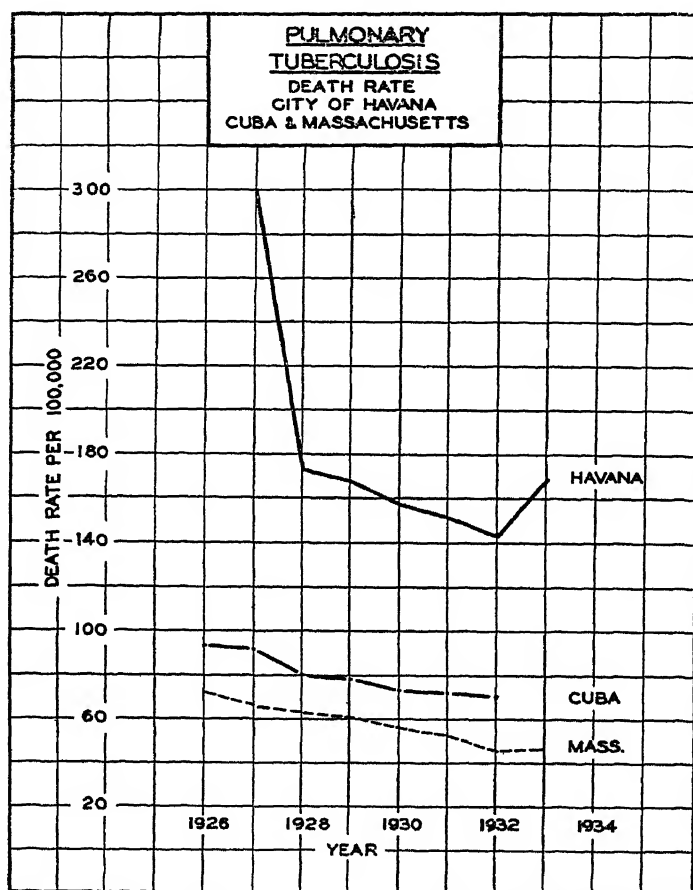


TABLE III

DEATH RATE FROM PULMONARY TUBERCULOSIS PER 100,000 POPULATION

	<i>Cuba</i>		<i>Havana</i>	
	<i>No.</i>	<i>Rate</i>	<i>No.</i>	<i>Rate</i>
1926	3,279	93.5	—	—
1927	3,302	92.1	1,437	299.6
1928	2,942	80.0	856	173.0
1929	2,948	78.3	852	167.2
1930	2,808	72.9	824	157.1
1931	2,836	71.5	828	152.6
1932	2,839	70.4	795	143.4
1933	—	—	964	169.2

From the data presented it is evident that tuberculosis has declined steadily during the past 30 years. It is probably more prevalent in Havana than in the rural areas, but not to the degree indicated in the graph. One reason for the apparent high rate in Havana is because the large national tuberculosis hospital, as well as most of the treatment facilities for tuberculosis, are located in the capital.

Facilities for diagnosis and treatment of tuberculosis in the interior are meager, and methods of control are unsatisfactory and incomplete. The disease represents a challenge to the nation.

An excellent index of sanitary efficiency of a city or nation is furnished by death rates from diarrhoeal diseases of infants, and also the death rates for typhoid fever. High rates represent defects in the general sanitary system, polluted and improperly protected milk supplies and lack of general sanitary conscience of the people. The data for Cuba, though incomplete, tell their own story of the inadequate sanitary program.

TABLE IV
DEATH RATE PER 100,000 POPULATION FROM INFANTILE
DIARRHOEA UNDER 2 YEARS

	<i>Cuba</i>	<i>Havana</i>
1928	148.5	129.2
1929	171.7	121.9
1930	107.5	89.6
1931	120.2	112.0
1932	120.8	120.8
1933	—	103.1
Average	133.7	112.7

As with other data, Havana is credited with deaths that should be allocated to the interior, since the city is the great hospital center; but both the city and the interior have a very high death ratio for diarrhoeal diseases of infancy.

Typhoid fever declined markedly after the American intervention in 1900. There came a slow increase for many years, followed by a decline in the last few years. Typhoid fever is still far from being under control. (See Graph IV). From all the information one can gather it seems to be principally a disease of the villages and towns of the island, rather than the larger cities or scattered rural people. It is often confused with malaria and the exact or even approximate incidence of the disease is a matter of conjecture. Certainly, typhoid fever is ten times as prevalent as it should be, and is one disease at least which can be brought under control promptly and effectively.

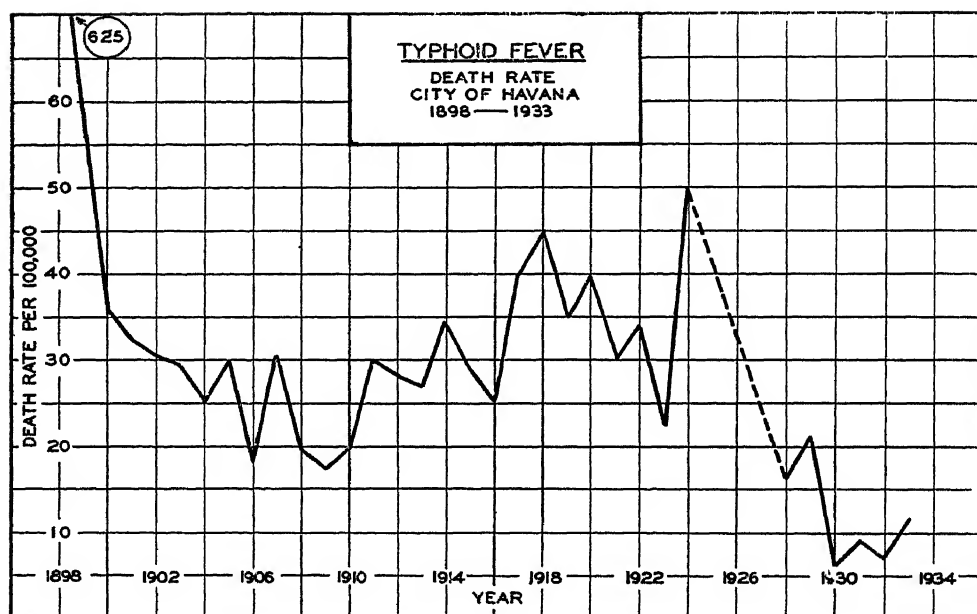
PROBLEMS OF THE NEW CUBA

TABLE V

TYPHOID FEVER DEATH RATE PER 100,000 POPULATION

	<i>Cuba</i>	<i>Havana</i>
1928	15.81	16.18
1929	17.91	20.02
1930	10.33	6.49
1931	8.29	8.48
1932	9.7	7.40
1933	—	13.71

GRAPH IV



Probably the most delicate index of good or bad sanitary and public health conditions of any community or nation is the infant mortality rate. Since recording of births in Cuba is so unsatisfactory, one can arrive at only an approximate figure for the infant death rate of the island.

The five-year average for Cuba (1928-1932) is 111.6 for the island, and 107.6 for Havana. Everything considered, this represents a rather favorable index. It is far lower than many, in fact most, tropical countries; but it can be lowered much further, since it is almost double the infant death rate of many European countries and the United States.

TABLE VI

INFANT MORTALITY RATE

Deaths under 1 year per 1,000 live births

	<i>Cuba</i>	<i>Havana</i>
1928	147.5	121.7
1929	168.7	132.2
1930	46.4	51.5
1931	84.4	88.7
1932	111.2	144.3
Five-Year Average	111.6	107.6

The health authorities in Cuba deserve great credit for practically complete eradication of smallpox. It was once a common cause of illness and death, and swept over the island in great epidemic waves. No serious epidemic of smallpox has occurred in Cuba since 1897. This represents a real achievement. Eventual stamping-out of this disease may be credited to Drs. Agramonte and Lebrede.

Yellow fever was once the curse of Cuba.⁴ It destroyed commerce, killed thousands of the young virile white immigrants in a single year, and checked the development of the natural resources of the island for three centuries. Havana was its central focus. The disease, in the year 1896 alone, killed one person in 200 in the city of Havana. Five years later it was completely stamped out. There was a slight recrudescence in 1905, but yellow fever then disappeared completely, and has never returned to Cuba. This is a sanitary triumph which greatly contributed to the remarkable growth and development of Cuba as a nation.

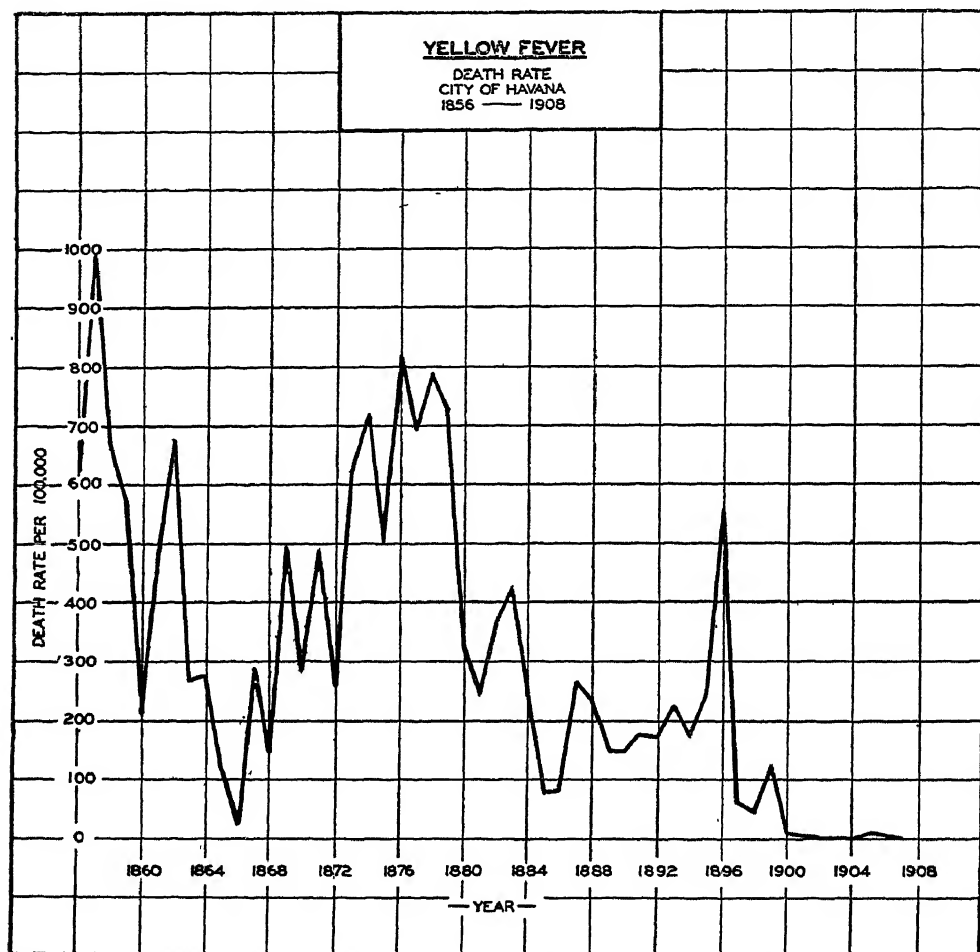
Diphtheria was formerly a severe menace to the children of Havana. The disease was prevalent and severe from 1887 to 1894, but after the discovery of diphtheria antitoxin in 1894 the death rate declined steadily to nominal proportions. Apparently, it has not been a severe menace to the rural portion of the island. Scarlet fever, measles, whooping cough, epidemic cerebro-spinal meningitis and poliomyelitis occur in sporadic epidemics, usually entering at one of the larger ports and sometimes spreading to the rest of the island. In general, these diseases have a low mortality rate, and have not been a cause of serious alarm.

Syphilis is prevalent. Its exact incidence cannot be determined. It is more prevalent in the larger cities and the seaports than in the interior. A rough index of the prevalence of this disease is the per cent

⁴ Cf. Graph V, p. 104.

of positive Wassermann on all patients admitted to the large charitable hospitals. One figure given was 10 per cent, which approximates the rate for similar hospitals in other large cities in Europe and North America.

GRAPH V



Ascaris and *trichocephalus* infestation are practically universal throughout the island among rural children. Many of the city children also harbor these parasites. Hookworm disease has a limited distribution. It is prevalent and often seen in its severe forms in the Province of Pinar del Río and, to lesser degree, in Matanzas and the rural sections of Havana Province. The disease is apparently not an important factor in the whole eastern end of the island. The habits and customs

of the rural people are such as to offer ideal conditions for infection with this parasite. There must be some natural condition which prevents the distribution of this infection. The sandy coastal plain soil of western Cuba is highly favorable for heavy hookworm infestation whereas the prevailing soils in eastern Cuba are not.

Bubonic plague entered Cuba probably from the United States, in 1912, and flared up intermittently until 1915. Vigorous measures undertaken by the health department completely eradicated the disease. This represents another splendid sanitary achievement.

Leprosy was formerly of some importance in Cuba, but this disease is gradually disappearing. It is estimated that half the lepers on the island are now confined in the National Leprosarium. There is a focus of non-hospitalized lepers in the Province of Oriente, and a few scattered, non-recognized cases throughout the island; but leprosy cannot be considered a major health problem.

There are some indications that the death rate from puerperal conditions, and particularly puerperal sepsis, is abnormally high. Data to support this assumption are fragmentary and unreliable. The facilities for proper care of mothers during the puerperal state in Havana are well organized and conducted with great skill and dispatch. In the interior, most of the mothers are delivered by ignorant, untrained women, with no qualifications whatever for their profession.

Summary

The population of Cuba since independence has increased rapidly from natural causes, and by immigration. The birth rate of Cuba has been high, but is declining. The death rate has also declined, though slowly, for the past 30 years.

The most important controllable diseases in Cuba at present in relative order of their importance are: 1. malaria; 2. tuberculosis; 3. intestinal infections, including diarrhoeal diseases of infants, typhoid fever and allied diseases. Much has been done to control these infections and all of them have declined in importance during the past 30 years. Much still remains to be done.

3. Public Health Organization

Public health and welfare functions of government in Cuba are combined under one Minister, who must be a physician. He is selected by the President and is a member of the President's Cabinet.

The national Minister or Secretary of Health and Welfare has an advisory council consisting of twelve representative men.⁵

There are two major departments of the Ministry:

A. Department of Public Health.

B. Department of Hospitals and Charitable Institutions.

Each of the two departments has its own director, who is selected by the national Secretary of Public Health and Welfare and is directly responsible to him.⁶

The Cuban Health Department is highly centralized. The director has entire responsibility for all public health activities of the whole island population, urban and rural, down to the remotest village and farm.

The six provincial governments have no health departments. Each province is divided into governmental units, called *municipios*, which possess a certain amount of local autonomy. There are 124 of these local governmental units. Each *municipio* consists of a central community with its surrounding rural zone. The *municipios* vary greatly in area and population.

TABLE VII
DISTRIBUTION OF POPULATION IN MUNICIPIOS
1931 Census
Population of Municipios

<i>Province</i>	<i>Under 10,000</i>	<i>10,000- 25,000</i>	<i>25,000- 50,000</i>	<i>50,000- 100,000</i>	<i>Over 100,000</i>	<i>Total</i>
Pinar del Río . . .	0	11	2	2	0	15
Havana	8	12	3	1	1	25
Matanzas	10	10	1	1	0	22
Santa Clara . . .	7	12	8	4	0	31
Camagüey	0	4	2	2	1	9
Oriente	0	3	9	8	2	22
Total	25	52	25	18	4	124

Each *municipio* has a chief local sanitary officer—a physician who is selected by the national Director of Public Health. (In some in-

⁵ The advisory council consists of: Director of Public Health, Director of Public Charities, Chief of the Quarantine Service, President of the Commission of Infectious Diseases, Dean of the Faculty of Medicine and Pharmacy, President of the Anti-Tuberculosis League, Chief Local Officer of Havana, President of the *Sociedad Económica de Amigos del País*, and four other members appointed by the President; one lawyer, one engineer and two physicians. The Minister is also a member—*ex officio*.

⁶ Cf. p. 161.

stances he is also local director of public welfare, but this is not the usual plan.)

No local appropriations are made directly for public health activities. Instead, 10 per cent of all *municipio* revenue is allocated for public health, and these moneys are forwarded to the national government for distribution. In addition, all *municipios* employ physicians to care for the sick poor. Practically all *municipios* have a locally paid division called *Servicios Sanitarios Municipales* which provides physicians to care for the destitute. This work is carried out on the dispensary plan, with very little home visiting. The most important cities also furnish free medicines to the poor. Emergency medical stations for care of accidents are also established in many cities. Havana itself has developed some very fine hospitals, supported solely by municipal funds. The national Secretary of Public Health and Welfare is granted a definite sum from the national budget for health and welfare activities. Funds are allocated to the Health Department by the Minister for two major purposes:

A. The work of the central division.

B. The activities of each and every local health department, in accordance with its population and special needs.

CONSOLIDATED BUDGET FOR HEALTH SERVICES OF CUBA 1933-34

Administration Office of Ministry	\$ 106,987.90
Public Health	829,271.09
Public Welfare	1,163,091.42
Total	<hr/> \$2,099,350.41

PUBLIC HEALTH BUDGET

Central Administration, Personnel and Supplies	\$ 227,925.00
Administration of Local Health Service (exclusive of Havana)	386,186.71
Health Service of Havana	153,705.38
National Quarantine	56,254.00
Anti-Rabies Subsidy	5,200.00
Total	<hr/> \$ 829,271.09

If one allocates one-half the costs of the national office of the Ministry of Health and Welfare to public health activities, the total public health budget is:

Public Health	\$829,271.09
½ Cost Office of Ministry	53,493.95
	<hr/> \$882,765.04

Since the estimated population is approximately 4,000,000, this represents an allocation of 22 cents per capita for public health activities.

The Health Department activities have suffered serious reverses in recent years because of unfavorable economic conditions and the disturbed political situation. Many formerly active and effective divisions of public health work have been almost completely destroyed. A skeleton organization was maintained, however, and with improvement in political and economic conditions, it has become possible to formulate a reorganization of health services. These reforms are at present in a preliminary stage of development. Some have not yet been carried into execution. Thus we cannot describe with exactness what has been, is, or will be. It is pertinent to this report, however, to describe the proposed plans that are in process of formulation, and their integration with the previous organization.

A small public health council has been formed, consisting of Director of Public Health, President of the Commission of Infectious Diseases, Chief of the Department of Quarantine, Director of Research Division of the Finlay Institute, and Secretary of the Commission of Infectious Diseases.

The national Public Health Council will serve as an advisory body to the Director of Public Health.

Under the plan of reorganization the following major divisions of activity are represented:

A. Administrative Service.

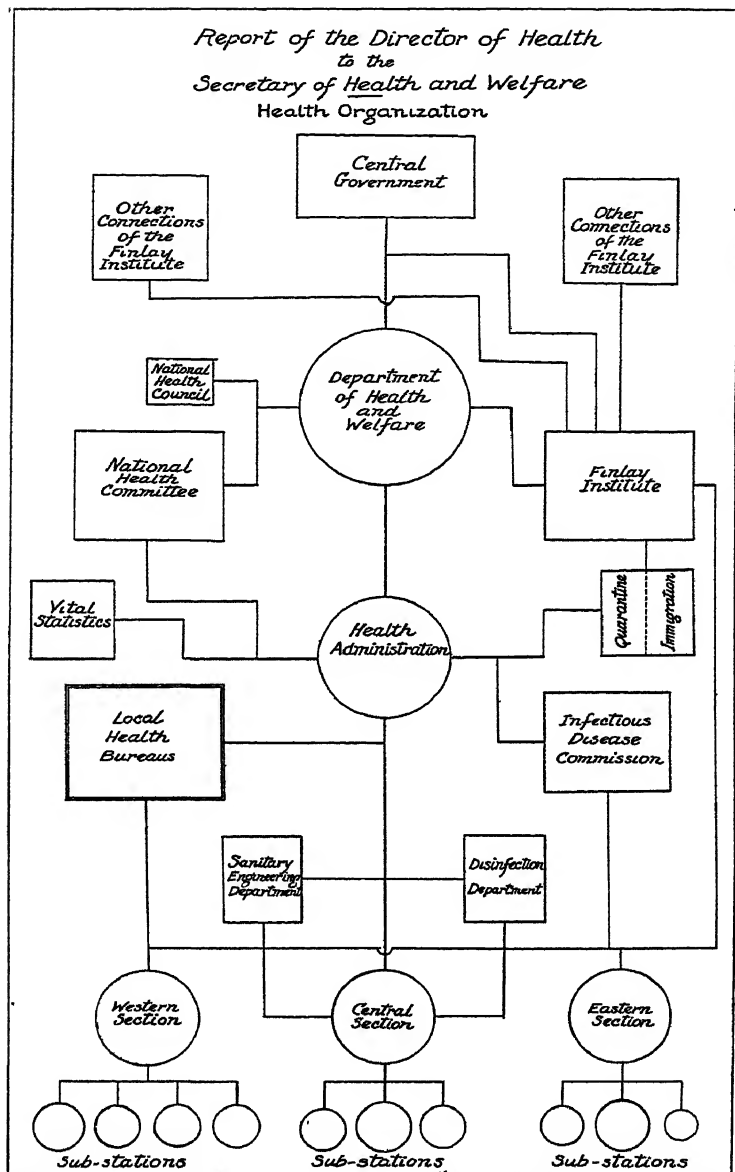
1. Local Public Health Administration.
2. National Quarantine and Immigration.

B. Technical Service.

1. Vital Statistics.
2. Sanitary Engineering and Disinfection.
3. Communicable Disease Control.
 - a. Epidemiology.
 - b. Public Health Laboratory Service.
 - c. Hospitalization of Communicable Disease.
4. Child Hygiene.
5. Control of Tuberculosis.
6. Control of Venereal Disease.

Under the old plan each local health officer worked under the direction of the central office and reported directly to Havana. The new plan will divide the island into three divisions; Western, Central and Eastern. Each section will have its own division chief, who will have administrative charge of the local health departments within his terri-

GRAPH VI



tory. Each of the three major sections will furnish necessary technical services—particularly epidemiological and public health laboratory service—to the local health units of the district. It is proposed that each of the three central sections will have three or four sub-stations, located strategically to meet the needs of the particular zone. (See Graph VI.)

Under the new plan of organization, the Divisions of National Quarantine and Immigration, Vital Statistics, and Sanitary Engineering will function very much as they have in the past.

Communicable disease control, including epidemiological service and diagnostic laboratory activities, will be greatly changed. The Finlay Institute will be charged with this service.

This Institute was established in Cuba as a token of appreciation of the life and work of Dr. Carlos Finlay—one of the greatest men that Cuba has ever produced. He was the discoverer of transmission of yellow fever by the *Stegomyia* mosquito, and his name is revered and honored by the whole world. The Institute was planned as a national public health research institute. It was a fine conception, and a fitting honor to a great name. It must be confessed, however, that the original conceptions under which the Finlay Institute was founded have not been realized, and that in recent years the Institute has not reflected glory on the illustrious name that it bears.

The new plan proposes to place the national Finlay Institute in the dignified place that it merits, to utilize its personnel for the benefit of the people, and also to establish its prestige in the scientific circles of the world, to the honor and credit of the whole nation.

The governmental functions of communicable disease control, epidemiological investigation, and public health laboratory service, both diagnostic and research, will be allocated to the Finlay Institute. The former national diagnostic laboratory and the national contagious disease hospital, *Las Animas*, will be assigned to the Finlay Institute, and administered by it. The Finlay Institute will be semi-autonomous, with its own Board of Trustees, which is self-perpetuating.

The Department of Public Health is well represented on this board. The Institute is supported from the budget of the national Health Department and is, in fact, the public health laboratory and epidemiological division of the health service.

There is a small national division of child hygiene with its own director. A central, well-staffed, local child hygiene service has been organized in the national department building in Havana to meet the needs of Havana children. In a few of the larger cities in the interior, local child hygiene units are functioning.

Tuberculosis control is centralized in Havana in the well organized national tuberculosis sanatorium, *La Esperanza*. This fine sanatorium has about 480 beds, with a staff of four internes, eight visiting physicians, and twenty-five nurses. A new hospital which will furnish an

additional 400 beds is in process of construction. In addition to this sanatorium, the University Hospital has some 80 beds for tuberculosis. Each of the local hospitals in the interior devotes one ward to the care of tuberculosis. This represents at present a total of nearly 800 beds for the care of tuberculosis in Cuba. In addition, one must include the attractive *Preventorium Martí* with a capacity for approximately 150 children between the ages of 5 and 12 years.

Havana City has a splendid tuberculosis dispensary, *Furbush*, established by Dr. Furbush in 1900 and active ever since. It is under national auspices, is organized along modern lines, with a staff of five physicians and ten nurses, good equipment and an adequate system of records.

Tuberculosis outpatient service is not well organized in the interior. An exception to this rule is the active and effective local tuberculosis dispensary in Santa Clara which has been organized through the efforts and interest of a local physician, and which is largely self-supporting. With very small resources he has done over 80 pneumothorax treatments on ambulatory cases, and has very clear ideas concerning modern methods of tuberculosis prevention and control.

The director of the National Tuberculosis Sanatorium has a clear conception of the magnitude of the tuberculosis problem of Cuba and has a very interesting plan of attack. It is obvious that a complete hospitalization plan for the island is prohibitive. The battle must be fought in the homes of the people, through local health department clinics. We are in complete accord with this plan and believe that it can be well integrated with the comprehensive rural health and welfare program that we have recommended in Chapter XVIII. The director considers the National Sanatorium as essentially a training-ground for young physicians and nurses in modern methods of tuberculosis control. It is his desire to train a suitable personnel and locate them at strategic points in the island, there to carry out the principles that they have learned in *La Esperanza*.

A well-staffed dispensary for treatment of gonorrhea and syphilis has been organized in Havana under national auspices. It has a large clientele and is well administered. All the various hospitals and dispensaries in the city of Havana accept cases of venereal disease for treatment. The maternity hospital takes special cognizance of syphilis in pregnant mothers. A comprehensive plan for control of venereal disease has not yet been formulated for the interior of the island.

The total allotment for central activities of the National Health Service for 1933-1934 was \$227,925.

Local Health Service

All local health service from the smallest *municipio* up to the city of Havana itself is under the direction of the national Ministry of Public Health and is supported from the national budget.

The health department service of Havana is under the direct charge of the Local Chief Medical Officer. Some of the functions commonly assigned to a large municipal health department, such as tuberculosis control, communicable disease hospitalization, diagnostic laboratory service, etc., are allocated to the National Health Department. The chief activities of the Havana Health Department may be indicated by its bureau divisions.

1. Medical Inspection. (16 physicians, 5 nurses, together with auxiliary staff.)
2. Sanitary Inspection of houses and stores. (45 inspectors.)
3. Sanitary Engineering. (1 chief and 6 assistants.)
4. Bureau of Penalties and Fines.
5. Bureau of Dispatch. (Orders to be complied with.)
6. Veterinary Service. (1 chief and 4 assistants.)
7. Disinfection and Mosquito Control. (1 chief, 2 assistants and 180 laborers.)
8. Milk Control. (1 chief, 2 bacteriologists, 22 inspectors.)

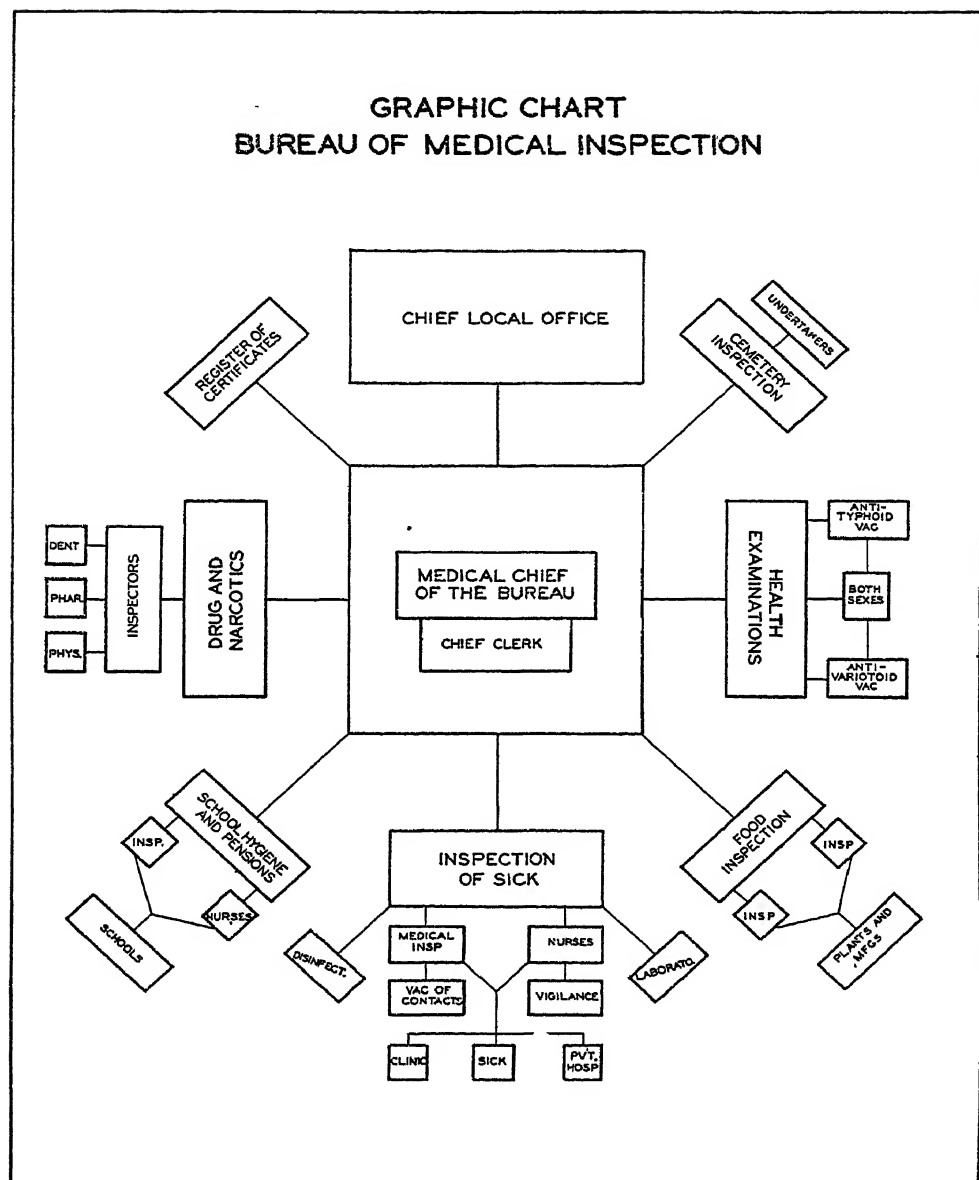
The Bureau of Medical Inspection has a variety of functions which are set forth in Graph VII.⁷

It is obvious from these data that Havana has a highly organized health service which covers a wide field of activities. In general, these activities correspond in their scope and development with those of other large modern city health departments. Some activities have advanced much further than others. For example, much emphasis has been placed on general sanitation and mosquito control, but milk sanitation is in a chaotic state at the present time. The newly appointed Milk Commission has faced the situation, however, and is making serious efforts to solve this knotty problem.

Public health nursing has not been developed to an effective degree in the Havana Health Department. We believe that a carefully organized public health nursing service, with well-trained personnel and adequate supervision, would add greatly to the effectiveness of the whole health program.

⁷ Information concerning the organization and activities of the Havana Health Department were furnished by Dr. I. P. Agostini, who also prepared the graph of Medical Inspection Service.

GRAPH VII



The budget allocation for local health work of Havana for 1933-1934 totalled \$153,705.38.

The *municipios* vary enormously in area and population, so that no general plan can fit every situation. The general scheme of health

work for the whole of the interior of Cuba, however, follows a more or less uniform pattern.

The health work of each *municipio* is directed by a physician, usually selected from one of the practitioners in the central town. He is chosen by the National Director of Health in Havana. One half his time (usually 8-12 a.m. daily) is devoted to government service. The budget for each unit comes from the National Treasury.

In the smaller *municipios* the scope of the work is limited. Most of the funds are used for cleaning the streets and removing the garbage of the central town. The health officer performs the medical inspections in relation to all types of communicable disease, gives typhoid and smallpox vaccinations, and carries out those activities which, in his opinion, will best serve to check the spread of infectious disease and promote public health. A typical organization and budget (1933-1934) illustrate these points.

THE MUNICIPIO OF FLORIDA

Area	695 square miles	Total population about 28,000
Larger towns		
a. Florida	. . . . .	Population 11,000
b. Piedrecitas	. . . . .	" 3,500
c. Céspedes	. . . . .	" 3,000
<i>The Health Department</i>		<i>Monthly Budget</i>
Personnel		
1 Director (physician, part-time)	.. . . .	\$ 45.00
1 Clerk	.....	30.00
6 Workmen	. . . . .	180.00
Supplies, house rent	. . . . .	29.40
		<hr/>
		\$284.40

The national government also furnished quinine, plasmochin, and typhoid and smallpox vaccine. The six workmen were utilized largely for cleaning the streets of the central town, and in mosquito control work. The health officer had no funds for travel and of necessity limited his epidemiological and other work in great part to the central town, though many people from the country came to his office for quinine and vaccination.

The public health program in the larger cities of the interior is, of course, more comprehensive than in the smaller *municipios*. Camagüey, the capital of Camagüey Province, may be taken as an example. The *municipio* of Camagüey has an area of over 2,000 square

miles, and a population of 131,500. About 80,000 live in the city. There are some eight villages in the *municipio*, with a population of three to four thousand each.

The health department for the entire *municipio* consists of one medical chief, one assistant, fifteen office personnel, ten sanitary inspectors and some seventy laborers to clean streets, collect garbage, and oil against mosquitoes in the city and its surroundings.

The water supply for the city comes a distance of eight leagues. It is highly colored and has a bad taste, but tests well bacteriologically. Many people in the city outskirts have their own wells. The sewage disposal system of the city is highly inadequate; about 10 per cent of the homes have sewer connections.

The city had a mild outbreak of typhoid fever in May, 1934, with 33 cases reported. The epidemic was controlled by an intensive typhoid vaccination campaign. Over 1,500 persons were vaccinated in three months.

There is a small infant hygiene clinic, and a milk inspection service. The local hospital has a small ward for tuberculosis—fourteen beds—and also a small ward for communicable disease. The school hygiene program is in process of organization.

The Health Department was completely disorganized during the recent political crisis and is just getting a fresh start. The present health officer has been in office only three months. He is an X-ray specialist and devotes one-half his time to the Health Department. He has no funds for travel, and must spend the greater portion of his time on the health problems of the city itself.

The total sum allocated from the national budget for the administration of local health services for the interior of the island for 1933-1934 was \$386,186.71.

Summary

Public health administration in Cuba has been almost completely demoralized during recent years because of the economic crisis, and disturbed political conditions. This is particularly true of the work in the interior. Under improved economic conditions and more stable government a reorganization is being effected. Thus it is impossible to make even a tentative appraisal of the effectiveness of past or present public health activities.

The health organization is highly centralized. The central bureaus of the national health service have a large staff and a wide variety of

activities. This centrally located technical staff limits its activities, in great part, to the city of Havana, and seldom penetrates to the interior. The local health service of the city of Havana is highly organized and carries out a great deal of effective work.

A large sum of money is allocated by the national government for the public health work of the interior, but most of this fund is expended for functions that properly belong to the Department of Public Works (cleaning of streets and garbage removal in the interior cities). These activities have little direct relation to health promotion.

The administrative work of the health department is carried out by physicians largely untrained in the technique of public health procedure, who devote only half their time to health work and who are paid a very modest salary.

Local communities, cities, towns and *municipios* assume no direct responsibility for their own health protection, but look to the national government for every detail, from the construction of a large municipal water supply system down to removal of the garbage pail from the back door.

4. *Medical Services*

The recent and comprehensive review of the medical situation in Cuba that has been made by the Commission from the International Labor Office in Geneva,⁸ together with the study by Dr. Leland⁹ from the Bureau of Economics of the American Medical Association in 1933, render it unnecessary for us to give detailed consideration to this subject. For completeness, however, a brief review is essential.

When the independence of Cuba began, the island needed physicians. Excellent facilities for medical training were furnished in Havana University, and young men were encouraged to study medicine. Tuition was free and professional rewards in the field were abundant. Large numbers of young men availed themselves of this opportunity. During the academic year 1929-1930 over 1,500 students were registered in the national medical school.

Under the present system of medical organization in Cuba the annual increment of young physicians is far greater than the population is able to absorb. The situation did not become acute during the period of great economic prosperity. The incomes of physicians dur-

⁸ Cyrille Dechamp and M. Poblete Troncoso, *El problema médico y la asistencia mutualista en Cuba* (Havana, June 1934).

⁹ R. G. Leland, "The Practice of Medicine in Cuba," *American Medical Association Bulletin*, June 1933.

ing that period, from private practice and other sources, continued to be commensurate with their recognized social standing and long period of student preparation.

Since the depression, physicians have suffered more perhaps than any single group. Most of the young physicians now graduating in Havana will have little or no opportunity to enter their profession and secure a reasonable income. It is essential to emphasize the fact that Cuba is training more physicians than the island can possibly utilize under the present plan of private practice of medicine and the probable course of the economic development of the country. This excess of medical talent is, in our opinion, one of the influential factors affecting the present deplorable condition of the medical profession in Cuba.

TABLE VIII

DISTRIBUTION OF PHYSICIANS BY PROVINCES IN CUBA 1934 *

<i>Province</i>	<i>Population</i>	<i>No. of Physicians</i>	<i>No. of Inhabitants per Physician</i>
Pinar del Río	343,820	130	2,645
Havana—exclusive of City of Havana	443,000	216	2,050
Matanzas	337,119	164	2,056
Santa Clara	815,412	317	2,572
Camagüey	408,076	175	2,332
Oriente	1,072,757	340	3,115
Total	3,420,184	1,342	2,550
City of Havana	592,500	1,200	494

* Cf. Dechamp and Troncoso, *El problema médico* . . . , cited.

The government is paying for the education of a much larger number of young physicians than the country requires. In addition, no provision is made to distribute this talent, when trained, to the places where it is needed. Distribution of physicians in Cuba, as in many other countries, is not in accordance with the actual needs of the people, but in accordance with opportunities for the professional, social and financial advancement of the physician. Havana, with its large hospitals, excellent scientific equipment, medical libraries, scientific societies and stimulating professional contacts, naturally attracts the best medical men. A young, able physician must have a strong inducement to draw him to the interior. During the prosperous period, physicians in the interior could reap large financial rewards. At the present time, however, a physician living in one of the smaller cities or towns of the interior receives almost nothing from his pri-

vate practice, as the people cannot pay standard medical fees. They go instead to charlatans and herb doctors for relief. The anomalous situation has arisen of a relative scarcity of physicians in the interior where need of medical care is greatest, and a great over-abundance of physicians in the capital. With each annual increase of young medical graduates, conditions will continue to grow worse.

The adequacy of medical care depends not so much on the needs of the people as on their ability to pay for that care. The Medical Federation, to which over 90 per cent of physicians in Cuba belong, recognizes three economic groups:

1. The well-to-do who can readily pay for medical service on an established-fee basis.
2. The moderate income group, who may secure medical service through a hospital insurance plan.
3. The poor, who can pay nothing for medical relief.

The poor are cared for by a system of free clinic and hospital service which is supported in great part from government funds. Each *municipio* employs one or more physicians to give medical care to the indigent of the zone. Each physician receives a modest salary for this service, seldom more than \$50 a month. The work is almost exclusively on the dispensary plan, with few home visits by physicians. In addition, the state has an island-wide system of public hospitals.

HOSPITAL SERVICES OF STATE AND MUNICIPIOS *

Province	Number of Hospitals	Number of Doctors	Number of Beds	Population	No. of Inhabitants per Bed
Pinar del Río ..	3	6	380	343,820	2,642
Havana †	4	11	115	443,000	3,000
Matanzas	5	19	329	337,119	1,025
Santa Clara ..	7	19	589	815,412	1,042
Camagüey	2	6	222	408,076	1,793
Oriente	9	18	454	1,072,757	2,363
	30	79	2,089	3,420,184	11,865

* Dechamp and Poblete Troncoso, *El problema médico* . . . cited.

† Exclusive of City of Havana and also the National Hospital for the Insane.

This hospital service is free, except for a small number of beds in each hospital for patients that can pay a small fee. The staff physicians, a total of 79, serve part-time for a small honorarium. About 200 physicians in the interior are employed part-time in giving medical care to the sick poor.

Thus, in the interior of the island, the government supplies one physician for each 13,000 of the population, whose duty it is to furnish free medical care to the indigent, and one free hospital bed for each 1,700 population. In times of great economic prosperity this free service may have been adequate, but in times of serious economic depression, as at present, practically the whole mass of people in the interior of Cuba cannot pay even nominal medical and hospital fees.

The large sugar *centrales* are required to employ a physician to care for industrial injuries, and to supervise the sanitation of the plantation. Many plantations go much further than the legal requirements, supplying free medical care, nursing service, medicines and sometimes hospitalization for their employees.

Medical facilities for the poor of Havana are abundant. There are over 3,000 free hospital beds, one per 180 inhabitants, and one poor relief physician for each 2,964 population. Since the estimated number of indigent in Havana totals about 200,000, this represents one hospital bed for each 67 and one physician for each 1,070 poor persons.

The overwhelming discrepancy between the capital and the interior is not quite so great as it appears. Many of the large hospitals in the capital are supported by national funds, and great numbers of indigents come to Havana from the interior for hospitalization.

A very disturbing controversy has raged about the medical care of the moderate income group, chiefly in the city of Havana itself. The group affected is composed of about 200,000 persons. The controversy has related to the policies of the mutual benefit medical societies, and particularly the large Spanish clubs.

The development and significance of the Spanish clubs is discussed in another chapter of this report.¹⁰ Their most attractive benefit feature has always been their mutual hospital insurance plan.

The principle of mutual medical and hospital insurance for the man of moderate income was established by these clubs, and accepted by the medical profession. Cuban clubs were founded on a similar basis, and women and children admitted to membership in some of the clubs. In the most prosperous period, membership in the Spanish clubs alone totaled over 200,000 persons.

People living in the interior have never furnished a large quota of membership. This is due to the facts that (a) the Spanish immigrants who originated the idea settled chiefly in Havana; (b) it is difficult to organize and administer adequate medical and hospital facilities on

¹⁰ Cf. pp. 38-41.

a small scale in the interior;¹¹ (c) the people in the interior are, on the whole, too poor to pay the monthly fee.

The recent period of economic depression dealt a severe blow to the membership of the mutual benefit societies, particularly the Spanish clubs, because many former members could not pay the monthly fee. Another subtle change had occurred. Many of the original members of the large Spanish clubs had become wealthy. Physicians had always served on the staff of the clubs for a modest salary, because of the prestige that accrued, as well as the advantages of the interesting work in the large, well-equipped hospitals, and the opportunity for professional advancement. The great proportion of the medical staff gave only part-time to the mutual benefit hospitals, and part-time to private practice. But as the depression increased, income from private practice declined and the Cuban medical profession gradually realized that:

1. The mutual benefit societies were receiving expert medical services for a relatively small sum.

2. A certain portion of the members of the mutual benefit clubs that enjoyed the mutual medical insurance privileges were well-to-do, and could afford to pay the customary fees of the private practitioners.

The physicians formed a strong organization to meet this situation. The Medical Federation:

1. Accepted, in principle, the importance and value of mutual medical and hospital insurance.

2. Demanded that medical benefits of the mutual societies be limited to members in the lower income groups; roughly, single men with annual incomes of less than \$1,000, married men with \$1,500 or less.

The old established Spanish clubs refused to grant the demands of the physicians. A strike was called by the medical association against the large clubs.¹² It was doomed to failure because of the superabundance of medically trained men in the city. The physicians formed rival mutual medical insurance groups and attracted many members from the old established societies. Finally, in an attempt to force the government to recognize the demands of the physicians, the Medical Federation declared a general medical strike throughout the island.¹³

¹¹ The Spanish clubs have established hospitals in several of the larger interior cities.

¹² In August 1932. A previous strike had occurred in 1926, which, in the case of the *Centro Gallego*, continued for 33 months.

¹³ The general island-wide medical strike occurred January 19, 1934 and lasted three days.

This strike did not have popular support, and did not serve to advance the interests of physicians. The strikers did succeed in securing an official request from the government to the International Labor Office in Geneva asking it to send representatives to study the situation and make recommendations. This was carried out in June 1934.

The important recommendations of the Geneva commission are, in brief:

1. Limitation (in accordance with the needs of the country) of the number of young medical graduates who are licensed each year to practice medicine.
2. Better organization of medical care for the poor.
3. Arbitration by the government of differences between the Medical Federation and the mutual cooperative societies.
4. Compulsory maternity insurance.
5. An active fight against charlatans and irregular medical practice.

The Geneva commission recommended that the well-to-do members of the mutual insurance societies be allowed to enjoy the social privileges but be excluded from the medical benefits. No official action has been taken as yet on this report.

Summary

The medical situation in Cuba at the present time is in about as bad a condition as can be imagined. A large proportion of the people of the interior receive little or no medical or hospital care since they cannot afford to pay for this service themselves and the government has been unable, because of distressed economic and political conditions, to furnish adequate free medical and hospital care.

More physicians are entering the profession each year than the country can possibly utilize under the present plan of medical organization. These young physicians are concentrated in Havana where they are not needed.

The Medical Federation is at death grips with the large mutual medical insurance societies in Havana, largely because of inclusion in the club memberships of a number of well-to-do members—the physicians say 25 per cent of the membership, the societies estimate a total of 5 to 10 per cent.

But even if one grants that 25 per cent of the membership of the large Spanish clubs are well-to-do, and these wealthy members were excluded from mutual medical benefits, the economic situation of physicians in Cuba would not be solved, nor would there be a better distribution of medical service to the people of the island.

There is at present a surplus of medical personnel in Cuba. Havana and environs are adequately supplied with medical and hospital facilities. No person of whatever economic group need suffer from want of medical care in the capital.

The difficulty is that no system has been devised whereby the great mass of Cuban people who live in the interior and really need good medical and hospital service can secure it.

The Cuban people, and the organized medical profession of Cuba as well, have accepted the principle of mutual medical insurance for the lower-income groups. But experience in other lands has shown that such a plan can reach the people who need it most only by some nation-wide system of compulsory medical and/or hospital insurance which is under government supervision.

In general, nation-wide medical insurance plans have been successful only in countries with a highly industrialized population. But Cuba is an agricultural and pastoral country.

The situation is not hopeless, however. The Cuban people have shown a genius for the organization of mutual medical benefit associations. The Havana clubs have been, in the past, extraordinarily successful. Would it not be a wise and patriotic policy to utilize the experience and talent that has been developed in the operation of the large clubs in Havana in an attempt to extend the principle of mutual benefit medical insurance to the lower economic groups of the nation, particularly to the great mass of people in the interior? The monthly fees need not be so large, nor the benefits received so elaborate as in the large central municipal clubs, but some degree of medical care at least could be distributed to those who need it most for a sum which they could afford to pay.

In our opinion, the gradual extension of an island-wide public health and welfare plan of organization, developed on the basis of the *municipio* as a unit and discussed elsewhere in this report, will in the end serve as an important factor in prevention of illness and promotion of the public health of the whole people.

It should reach the great mass of the people of the island who are

at present in greatest need of medical care, and prevent much of the illness and distress from which they are now suffering.

If adequate opportunities for interesting work at a reasonable compensation are offered to the young medical graduates, they will be drawn to the interior, thus relieving the present congestion of physicians in Havana, and utilizing to the fullest extent the talents of these trained men. This will react to the benefit of the medical profession of Cuba and also to the people as a whole.

5. General Discussion and Summary

The independence of Cuba thirty-five years ago brought to the front a group of remarkable men, who, with great ability and fine patriotism, dedicated their lives to the development of the public health and welfare of Cuba. Finlay, Guiteras, Agramonte, LeRoy—all have completed their work. Only a remnant of the old group—Roberts, Albertini and a few others—are left. They have served their country well.

A new group of young men must seize the blazing torch where they have flung it down—the torch that has flickered so feebly these recent years. Inspired by their devotion, this new group must dedicate their lives to carry on the work so well begun.

Conditions have changed, methods of attack on disease problems have been greatly modified and improved; a new and effective technique and philosophy of public health and welfare has been built up. Public health is now a special profession requiring inherent abilities and specialized training. It is now well recognized that medical training alone does not prepare a man to administer an effective public health program.

In our opinion, the greatest public health need in Cuba today is a well-qualified public health personnel, well-trained in the technique of public health administration and in the various special public health services.

Cuba needs trained personnel, young men and women with ability, intelligence, and patriotism, who will be willing to devote their lives to the promotion of the health and welfare of the Cuban people.

The Cuban government should, we believe, be willing to arrange for this type of training, and also give those men and women who prepare themselves properly an adequate opportunity for a life career of work in their chosen field.

There is an opportunity for a wide variety of individual abilities and interests. Special subjects which require specialized training and urgent consideration may be noted.

One of the great public health needs of Cuba is the development and extension of the present division of vital statistics. Dr. LeRoy's efforts must be brought to fruition. Demography is often called "the bookkeeping of humanity." Without an adequate standard of measurement, no Health Department can determine its successes, or evaluate its defeats.

Epidemiology should be developed to meet the actual needs of Cuban situations. The most outstanding epidemiological problems that require special emphasis and immediate consideration are, we believe:

- a. Malariology.
- b. The epidemiology of tuberculosis, particularly in the rural portions of the island.
- c. The epidemiology of intestinal infections.
- d. Communicable diseases of childhood.
- e. Diseases and disturbance of nutrition.
- f. The epidemiology of intestinal parasites.

Many of the problems in general sanitation in Cuba have not yet been solved. We believe that additional personnel, well-trained in modern methods of sanitary engineering is required. Particular training should be sought in the techniques of:

- a. Public and private water supplies.
- b. Public and private sewage disposal systems.
- c. Engineering features of malaria control.
- d. Milk sanitation.

The major developments in the public health field in recent years have occurred in child hygiene. The results achieved have been astounding. Special techniques have been developed which are most effective.

The major rôle in this development has been the trained public health nurse. As an illustration of the important and effective part the public health nurse now plays in the modern public health program, one need only note the fact that over one-half of the personnel and almost one-half of the total budget of an effective modern local public health organization is devoted to the activities of the public health nurse.¹⁴

¹⁴ Cf. p. 179.

Cuba needs well-trained, well-qualified public health nurses, who will take an integral part in the health work of the nation. Such development will be slow of course, for public health nursing technique is difficult and requires special careful training and continuous intelligent supervision.

The standard medical training does not prepare a young physician for an administrative career in public health. The average practicing physician is notoriously a poor business man. He has no training or talent for the details of organization and administration. We now recognize that public health administration is a special career, requiring certain inherent talents and particularly special training and experience in the fundamental techniques of preventive medicine.

We believe that the public health services of Cuba should be extended to meet the needs of the people of the interior of the island. The tendency in the past has been to concentrate the work in Havana. There is a highly organized, well-staffed personnel for health work in the capital city. In addition, many of the national activities are concentrated within the boundaries of the capital; as, for example, the public health laboratory service, communicable disease hospitalization, tuberculosis dispensary and national hospitalization service, child hygiene clinic service, venereal disease dispensary service. All these and others, though under national auspices, are in reality of chief benefit to the city of Havana itself and its immediate environs.

The interior is relatively neglected. This is true particularly of the smaller towns and villages, including the people who actually live on the farms. Yet these are the very people who most need intelligent guidance and help. It is true that the national budget contains a large item for public health personnel and their maintenance throughout the island, but these moneys are consumed in great part in cleaning the streets and removing the garbage of the interior towns. We now recognize these items as functions of the Department of Public Works, and not public health functions at all.

It is furthest from our intention to criticize the efforts of the national government to make Havana the most beautiful and healthful city of the tropics. We must recognize, however, that Havana and its environs comprise only a small fraction of the total population of Cuba. At most, one person in six of the nation is affected by public health efforts that are expended in his behalf in the capital. The rural areas, where the national wealth and resources of Cuba lie, where the great proportion of the people live, and where the major unsolved

public health problems exist, have, in great part, been left to their own resources.

A most encouraging feature of the program of the new administration is the general plan for the establishment of the Finlay Institute on a firm basis.

Cuba has its own special problems in the prevention, control and treatment of disease. Situations constantly arise that are peculiar to the island. Solutions developed elsewhere, even under similar conditions as, for example, in the Institute for Tropical Diseases in Puerto Rico, may not be applicable to Cuban conditions.

Cuban scientists must work out their own particular solution of their own problems in the laboratory and in the field. This can only be done by the development of a small, compact, more or less autonomous group of well-trained, capable scientists, which has the support of the Cuban government, and the confidence of the Cuban people. This group should not limit its activities to abstract scientific problems, but should carry investigations to the hospital wards and particularly into the field, and should study the various problems as they arise.

The Institute should be an integral part of the National Public Health Service. It should be responsible for the diagnostic laboratory service, and also for the preparation or standardization of prophylactic biological products. It should aid and advise the national and local administrative officers of public health. It will thus render a real and effective service to the government and to the people of Cuba, and add prestige and renown to the nation in the scientific circles of the world.

6. Recommendations

We shall not attempt to make detailed recommendations, or present a complex scheme of organization for the public health service of Cuba.

The reasons are obvious:

1. We did not have the opportunity to analyze in detail either the existing public health problems or activities.

2. No detailed plan, no matter how perfect from a theoretical point of view, should be presented for adoption in its entirety until it has met the test of practical local field conditions on a small scale.

We might present a program which had proved highly successful elsewhere, but which in actual practice would not meet Cuban conditions at all. We will not do so.

We wish, however, to present three major recommendations which, we believe, are sound in principle. Details of administrative procedure must be developed to suit the actual needs of each situation.

I. Trained Public Health Personnel.

We suggest that the Cuban government make a careful selection of young men and women—physicians, engineers and nurses—a few each year. Arrangements should be made to train this selected group in the special technique of public health. Among the important special techniques in which training is essential may be mentioned: epidemiology, public health laboratory procedure, vital statistics, child hygiene, sanitary engineering, public health nursing, and public health administration. There are many places where such training may be secured.

The amount of training required would depend on the subject itself and the initial qualifications of the student. A minimum of one year is suggested.

II. Extension of Public Health Service to the Interior.

We recommend the gradual development of a public health service for the interior on the basis of the *municipio* as a unit. Each unit should be directed by a well-qualified public health official, trained for his work and devoting his full time to public health activities. His zone should include perhaps 50,000 people, more or less—about half of the *municipios* are of suitable size to warrant organization on unit basis. Smaller *municipios* may be merged to form a district. (See Table VII, page 106.) It may prove advantageous to assign all administrative responsibility for both public health and welfare activities of the zone to one well-qualified director.

He would direct a small compact field staff, covering the various functions of public health endeavor. His staff would include public health nurses and sanitary inspectors, as well as the necessary office staff. He would be aided and advised by the technical staff of the national health service, and his work would be supervised by his division chief, in accordance with the present divisional plan of the Department of Sanitation.

We do not recommend that a complete organization of this type be installed for the whole island. We suggest that only a few trial

units be established at first, to work out the details, and to develop a procedure of local organization which will meet the particular needs of Cuba. After a period of trial, original mistakes may be rectified and a personnel and method of attack developed. This type of organization, if successful, may then be extended to other places.

III. *The Establishment of the Instituto Finlay as the research and field investigation nucleus of the National Health Department.*

Laboratory research and field investigation are the very life of a health service. We believe that the new plan of organization of Finlay Institute is an excellent one. The allocation of the national diagnostic laboratory service, the preparation and supervision of biologicals and other therapeutic products such as the narcotics and digitalis, and direction of *Las Animas* hospital will strengthen the Institute, bring new vigor and interest to its staff, and render valuable service to the nation.

We would recommend that, as the Institute becomes consolidated, it be given greater responsibility. We would suggest that it assume responsibility for epidemiological investigation of the national health service. We believe that the scientific staff of the Institute should be a small, carefully chosen group, the members of which devote their full time to the work of the Institute. The staff should not limit its activities to the laboratory, but go into the field, make necessary investigations, and aid the local health officers in every way in the difficult solution of their local epidemiological problems. We would suggest, in brief, that the Finlay Institute be an integral part of the National Health Department, supported from the national budget and made responsible for one of its major divisions of activity, namely, epidemiology.

CHAPTER VI

EDUCATION

The present condition of education in Cuba can be understood only if it is recalled that it has been in a state of complete disorganization for the last three years. This disorganization becomes clear in the light of the part played by students in the revolution which reached its climax with the fall of Machado on August 12, 1933. The resistance of Havana University students to the Machado régime was harshly suppressed in 1927 and 1928 by a special Disciplinary Council of University professors. On September 30, 1930 occurred a clash between students and the police in which a student was killed. In December 1930 the students and a part of the faculty of the University issued a manifesto addressed to the Cuban people as a whole attacking the Machado government. Students in the secondary, normal and agricultural schools joined in approval of the manifesto. As a result, all these schools were closed and, except for the farm schools which have not yet re-opened, resumed operations only in December 1933. While elementary schools functioned during this period, the budget was so reduced that teachers' salaries were unpaid for long periods, no materials of instruction were available, and many schools were closed. Since 1929-1930 was the last normal year, the following figures for that year—the latest available in complete form—are here given to indicate the numbers being cared for in each of the different types of schools:

ENROLMENT IN CUBAN PUBLIC SCHOOLS 1929-1930

University	5,569
Normal schools	4,050
Secondary schools	5,483
Commercial schools	452
Schools of arts and trades ...	1,070
Superior primary	5,397
Agricultural schools	216
Elementary schools ...	308,859
Kindergartens	18,522

Total 349,618

Independent Cuba has been unable to realize its democratic ideal to make at least elementary education available to all of its citizens. Elementary schools have been provided for less than half the children of school age and, of the number enrolled, by far the larger part have always been found in the first two grades. The dearth of schools has naturally been greatest in the rural parts of the island, as contrasted with the larger cities where a six-year period of elementary education has been made reasonably available.

Public education beyond the primary school has been accessible only in the six provincial capitals, where all the schools above elementary level are located.¹ With all of these post-primary schools caring for the largest number of pupils they could possibly accommodate, not over fifteen thousand young people could be offered instruction beyond the six years of elementary education. Of these, nine thousand would either be preparing for the University or the teaching profession, so that a very small number of young people in Cuba not headed directly for a profession have been given an opportunity for more than six years of schooling.

University education is offered only in Havana. All of the faculties are professional in character, but the quantitative adequacy of publicly supported university education cannot be judged by simply equating enrolment in the various professional schools with the number of persons needed in Cuba in the various professions. In the absence of a faculty of purely liberal arts, the young Cuban ambitious to attend school longer than ten years must enter a professional faculty of the University, and Cubans have apparently believed that professional study is the proper way for a school to serve the cultural interests of its students and society.

Private schools conducted by religious bodies, mutual benefit societies, patriotic philanthropic groups and individuals compensate in some degree for the lack of public schools. Children of families in comfortable circumstances are sent to private schools. That private schools now enroll no more than twenty-five thousand children indicates how relatively small a part of Cuban society has risen above the very lowest economic levels.

Cuban educators point out that both public and private schools in Cuba follow an exceedingly formal and bookish curriculum and pro-

¹ With the exception of a few primary schools with three additional grades, found in the larger centers of population which are not provincial capitals.

cedure.² That the private schools have not developed any outstanding progressive or experimental institutions may in part be attributed to the auspices under which they have been conducted, and in part to the fact that degree-granting is a government monopoly. Pupils from private schools can receive the bachelor's degree only by submitting to official examinations based on the courses of study of public institutions. University admission depends on possession of the official bachelor's degree. Private institutions on the university level are unknown. The private schools are, therefore, practically compelled to conform to the type set by the public schools.

Because the title of *Bachiller* and certain doctors' degrees are granted in Cuba after very abbreviated schooling, Cuban students who go to institutions of higher education in Europe and North America for advanced work find themselves in an embarrassing and disappointing situation. Judged by the quantitative standards used by admission offices, the Cuban *Bachiller* falls short by six years in the requirements for a B.A. or B.S. degree in a North American college or university, and a "Doctor" from certain schools of the University of Havana may find himself classified as a college freshman. Steps might be taken to raise gradually the requirements for the *Bachillerato* and the *Doctorado* in order to put these titles more nearly on a par with the significance attached to them elsewhere. Such a movement would increase the prestige both of those holding the titles and of Cuban education as a whole. The use of the title of *licenciado* could be extended as an index of professional competence.

1. *Administrative Organization*

The Cuban system of education is comparable to that of France in its organization. It is highly centralized, with local boards of education almost completely lacking in administrative responsibility. Unlike the French system, and somewhat like that of North America, it has an end-to-end organization of schools, the elementary schools leading directly to the secondary and these in turn, except for special and technical schools, leading directly to the university. The elementary

² Cf. Luciano R. Martínez, *Dictamen sobre el informe del Prof. M. Pittman sobre el estado de la educación en Cuba* (Havana, 1933). A study of Cuban education was made by Prof. Marvin S. Pittman and submitted to the Secretary of Public Instruction in December 1932. Professor Pittman was critical of the procedures in the schools and perhaps for that reason his report was never released by the government. The *Dictamen sobre el informe del Prof. M. Pittman sobre el estado de la educación en Cuba*, prepared by Dr. Martínez, agreed with the major criticism offered by Professor Pittman.

school has a six-year program; the secondary school, *Instituto*, a four-year course. A new type recently organized, called the Higher Primary School, represents a variant of this organization. These resemble, in their relation to other schools, the English higher primary and central schools. They parallel three years of secondary instruction, but are not an integral part of a primary-secondary-university series. Twenty-nine of these higher primary schools are now functioning.

The Cuban system resembles the French, again, more than the North American, in that secondary education is not provided for any large number of students, nor is it free, although tuition is low and many scholarships are offered at public expense. Moreover, the secondary schools are degree-granting institutions, although this similarity is purely superficial, since in Cuba the title is granted after a total of but ten years of schooling beyond the kindergarten.

Again, as in France, the head of the school system is a Secretary of Education with a seat in the Cabinet, who has wide powers of control over schools by means of decrees. In making this comparison, however, it must be borne in mind that the Cuban Cabinet is like that in the United States, theoretically serving during the entire presidential term—not, like the French, resigning whenever its proposals are defeated in a parliamentary vote. In France, moreover, as contrasted with Cuba, a powerful Higher Council on Public Instruction and a permanent administrative staff give a considerable degree of continuity to educational policies.

The central administrative office (*Secretaría de Educación*) is organized into three departments under the general direction of an assistant secretary. These departments are: (1) primary education; (2) higher education; and (3) accounts. The first has charge of the administration of all kindergartens, primary and higher primary schools, and a normal school for the preparation of kindergarten teachers. The second administers one public secondary school in each of the six provinces, six normal schools (also one for each province), four industrial schools, four commercial schools, an institute of physical education, and a school for homemaking. The University of Havana and the School of Fine Arts, which formerly were under this department, have been made autonomous institutions. The Department of Accounts carries on the usual work of such a section, confining itself wholly, however, to fiscal accounting and carrying on no such educational accounting as is found in many school systems. Neither this department nor any other in the Secretariat has the

statistical information essential for wise formulation of plans for the future. Although the budget for the coming school year was being prepared while the Commission was in Cuba, no one knew the actual enrolment in either elementary or secondary schools.

The Department of Higher Education deals directly with each individual school under its charge, having no technical or field staff; such field service as is necessary is performed by the four general inspectors who are field agents for the whole educational department, responsible directly to the Secretary.

The Department of Primary Education has an organized technical staff. A General Superintendent is charged with the administration and supervision of all schools under the department. Six Provincial Superintendents act as local administrators. These seven form a national board of superintendents. There are ten special superintendents—of drawing, English, manual training, home economics and kindergartens. Local supervision is carried on by eighty-seven district and assistant district inspectors, under the direction of seven provincial inspectors. The provincial and district officials are not dependent on the local governments, but form part of the national administrative machinery. They work with and through 117 local municipal boards, however, naming teachers for local schools. Those boards have no authority to establish schools or to control their internal procedure, these being determined by the central authority.

The Secretariat of Agriculture also carries on an educational program, having under its charge six agricultural schools, a newly organized forestry school, and an agricultural experiment station, the last named being primarily an institution of scientific research rather than a teaching institution. It also directs an educational enterprise in the organization of "5C" clubs patterned on the "4H" clubs in the United States. More than 500 such clubs have been organized, devoted mainly to poultry-raising, cattle-raising, and corn cultivation projects.

2. Elementary Education

While accurate statistical information about education in Cuba is almost completely lacking, the following figures are given as representing the approximate facts:

The present population of Cuba is estimated by the Director of Census as 3,961,725 for 1933-1934.³⁻⁴

³⁻⁴ For the 1931 census, cf. p. 24.

The elementary school population is estimated by the same authority as 852,162.

The budget of the Republic for 1933-1934, excluding public works, foreign debt service and certain fixed charges, was \$29,862,563, or \$7.53 per capita. The budget for education was 19.85 per cent of this total or \$1.49 per capita, and \$13.90 per child enrolled in elementary schools—less than one-third the sum similarly spent in the poorest state in the United States.

For 1934-1935 the fraction of the budget assigned for elementary education is substantially increased. Tables I, II and III give the geographical, age, and grade distributions of children enrolled in elementary schools for 1932, the latest year for which figures were found.

TABLE I
TOTAL ENROLMENT AND RATIO OF PUPILS IN ELEMENTARY SCHOOLS
TO TOTAL POPULATION BY PROVINCES *

<i>Province</i>	<i>Population †</i>	<i>In Elementary Schools ‡</i>	<i>Per cent of Total</i>
Pinar del Río	345,638	39,890	11.5
Havana	987,212	129,171	13.1
Matanzas	340,267	52,555	13.4
Santa Clara	822,198	84,845	10.3
Camagüey	411,382	25,560	6.2
Oriente	1,082,011	94,687	9.6
Total	3,988,708	426,708	10.7

* Figures taken from "Comisión nacional de estadística y reformas económicas," *Estadísticas*, 1932.

† *Ibid.*, p. II.

‡ *Ibid.*, p. 57.

TABLE II
AGE DISTRIBUTION OF PUPILS ENROLLED IN ELEMENTARY SCHOOLS

<i>Age</i>	<i>In School</i>	<i>Per Cent of Total</i>
Less than 6 years	27,287	6.4
6 years	39,146	9.2
7 "	48,667	11.4
8 "	51,073	12.0
9 "	53,911	12.6
10 "	56,795	13.3
11 "	52,067	12.2
12 "	46,554	10.9
13 "	32,344	7.55
14 "	15,029	3.55
15 or more years	3,835	.9
Total	426,708	100

TABLE III

GRADE DISTRIBUTION OF CHILDREN ENROLLED IN ELEMENTARY SCHOOLS

<i>Grade</i>	<i>Number Enrolled</i>	<i>Per Cent of Total</i>	<i>Not Counting Kindergarten</i>
Kindergarten	27,865	6.5	—
1st	162,576	38.3	40.0
2nd	93,546	21.9	24.5
3rd	66,114	15.5	16.5
4th	43,763	10.2	10.9
5th	22,096	5.1	5.5
6th	10,748	2.5	2.6
Total	426,708	100	100

The figure 426,708 represents total enrolment. The average enrolment for the same year was 329,654, indicating that at least 97,054, or 22.7 per cent of the total, were enrolled for less than a school year, and the average daily attendance of those enrolled was reported as 77.3 per cent.

Since population has increased slightly and the matriculation in schools is reported to have decreased, 400,000 is too low rather than too high an estimate of the number of children of ages 6 to 13 who are not in school. The department of "The School Map" of the central office reported the enrolment for November 1933 as 278,150, which would mean that 500,000, or well over one-half of the children of school age, were not enrolled in public schools at that time.

The number of teachers employed when the average enrolment totaled 329,654 was 7,253, giving a pupil-teacher ratio of approximately 45. Classrooms with as high as 90 pupils are not unknown, and many have more than 60. While conclusive experimental evidence in the matter is lacking, experience indicates that 36 pupils is a maximum number of pupils for one teacher to handle successfully.

Table I indicates the uneven spread of educational opportunity over the Republic. Camagüey has less than one-half the proportion of its population in school as compared with Havana and Matanzas. Table III shows that a very large number of Cuban children stay in school little beyond the second grade, 64.5 per cent of the enrolment in the elementary school being found in those two grades. The figures show the inadequacy of the number of elementary schools to serve the school population, and their conspicuous failure to hold any large number of pupils for more than two years.

Both of these facts are perfectly well known to Cuban school

administrators and teachers. To correct the first condition, increased appropriations must be made to provide more schools and more rooms in existing schools. Without additional funds, new schools can be opened only by introducing economies in operation in the school system as now administered. A system which is spending only \$13.90 for each child enrolled has small margin for economy.

Certain steps can be taken, however, most of which need not wait on increased appropriations. The developments in education which have transformed elementary schools in other parts of the world in the last twenty-five years have not yet found their way to Cuban schools. To put these schools abreast of the best practice in other countries will necessitate modernization of the curriculum in terms of child needs and child interests; the re-education of teachers in modern school procedures based on pupil activity, without which no curriculum revision can be effective; and the reduction as rapidly as possible of the number of pupils to be instructed by each teacher to a manageable number. Cuba has persons who are well informed as to the progressive procedures which have been found feasible and successful elsewhere. Their knowledge must be mobilized for the task of modernizing Cuba's elementary schools.

This transformation cannot take place overnight. But certain steps can be initiated at once, and the following are suggested:

First, organize a National Education Association of school teachers and administrators of both public and private institutions for the study of the problems of elementary education, and give this group the task of revising the elementary school curriculum.

Second, make a unit of the kindergarten and the first and second grade, organizing the work of grades one and two on the basis of the present kindergarten procedures, modified to include the beginnings of reading, writing, drawing, speech, nature study and the social learnings of every sort growing out of the group and individual activities which the kindergarten in its modern form stimulates. There are two reasons why, in our opinion, the kindergarten should no longer be maintained as a separate unit. First, with so many children of school age not served by the public schools, and with over 60 per cent of the pupils in school found in grades one and two, the time and effort devoted to kindergarten should accomplish much that is now deferred until the first grade; and second, only by utilizing the teachers now in service who know kindergarten methods can the

introduction of the activity program into the lower primary grade be brought about promptly.

Third, make the administrative machinery more stable on the technical side by giving more permanent tenure to the General Superintendent and the six Provincial Superintendents, and make them dependent, as in France, on a permanent National Council of Education. Only with more continuity of administrative practice can improvement of the schools go on satisfactorily. These officers should be selected because of their exceptional competence, and should not be changed with each change in the Cabinet as is now the case.

Fourth, in so far as the problem of elementary education is that of rural schools, create a new type of school, which is described in the next section.

3. *Rural Schools*

Schools in Cuba are failing entirely to meet the needs of the rural population. This is a situation not at all unique to Cuba, but has existed there so long and been so aggravated that the effects are now scarcely less than a national calamity. Writing in 1887, Martí said:⁵

"A very grave error is being committed in the educational system in Latin America. In countries which live almost completely on agricultural production, the population is being educated almost exclusively for urban life, and is not being prepared for country life. And since urban life exists solely at the expense of and by virtue of the country, and by trafficking in its products, it follows that with the present system of education there is being created an army of unemployed and hopeless people. The head of a giant is being placed on the body of an ant. And every day, with the system of purely literary education which continues to be given in our countries, the head is being increased and the body decreased. Men of influence and foresight in these countries of ours must labor tirelessly for the immediate establishment of practical agricultural stations and of a group of itinerant teachers who travel through the countryside teaching to the dwellers in valleys and remote places the things necessary for them to know of spirit, government and earth."

During the almost half century since Martí wrote these words, Cubans have insisted on their truth and importance. But existing rural schools have continued to be ordinary schools, under a single teacher, attempting to do the work that is done in city schools and, because of their enormous handicaps, doing it badly. Even if they were equipped to do it well, however, and even if elementary schools, both in country and city, were improved in the ways in which similar

⁵ Quoted in Ramón Lorenzo, *La escuela rural, y el ciudadano agrícola* (Santa Clara, 1931).

schools have been improved elsewhere, they would still fail to meet the needs of the rural population.

The differences between life in Havana and life in rural Cuba are too great to enable a single type of school adequately to meet the needs of the two situations. To insist that "equal educational opportunity for all" means "identical schooling for all" is as erroneous as to insist that equal medical service for all means the same prescription for every one. Democracy should insist that equal administrative care, equal expert technical effort, and proportionate expenditure of public funds should be given to schools which shall be equally accessible to citizens everywhere. But it must insist further that the persons who attend schools must be equally well served. France has decided that not all of its population can be equally well served by a single type of school, and the *Ecole unique* has not been established. England has made no attempt to furnish identical education for every one.

It was Cuba's educational misfortune that the pattern of its public school system was set under North American auspices, directed by a schoolman from Massachusetts. The great expansion of education which followed the establishment of the Republic was directed toward the goal of making the then existing type of school available to every inhabitant of Cuba, in the belief that school and literacy had some magic by which successful democracy could be assured. No attempt was made to determine the special problems of rural life and devise a school which would fit rural people to meet those problems. Schools must now be created which shall be as serviceable to the agricultural population as the existing ones are to urban people.

The first fact to be taken into account is that the problem of rural education is one of adult as well as child education. To attempt to control disease by a health program for school children is to sacrifice a generation, even were the instruction completely successful. Practically nothing that the school might do can be effective unless rural home conditions can be changed. For this reason a proposal for the extension of rural education will be presented in Chapter XVIII. The plan there outlined provides for education of the whole rural population, adults and children, not by bringing them into the schools, but by taking to them in their homes, through an extension service, a type of instruction specifically designed to redeem rural Cuba from its present pitiful condition.

Once this extension work is well under way, however, schools for children of school age will be needed. For these, as well as for schools

already functioning in rural districts, a pattern should be devised which will make the rural school useful in preparing young people for rural life and giving them the fundamental skill and knowledge which they need immediately, and will open the way for eventual extension of that knowledge. There should be "activity schools" based on the essential processes of rural life. Rural schools of Puerto Rico and the schools which Mexico has established under the name of *casas del pueblo* are schools of the sort projected for the second unit. From the experience of these two countries, Cuban school administrators can draw helpful suggestions. Pupils will come to the school to engage in group agricultural projects under the guidance of the teacher and to learn, incidentally at first, systematically as their interest grows, the things directly related to their lives and the more remote things suggested by study of immediate problems. The first essential item of school equipment will be an adequate plot of ground. Since a garden cannot be given two months of vacation and be successful, the rural school will be a twelve-month school. The school building will be a shop in which the arts and crafts used in Cuban rural life, and new ones which should be used, are taught. Reading matter bearing on the work of the pupils will be at hand; materials for drawing and writing will be available. In the presence of these materials, in an environment which stimulates him to learn because what he is learning interests him, the pupil will demand that he be taught to read, write and draw. To keep him from learning these subjects will be found practically impossible. Arithmetic will be so essential to the recording of the progress of agricultural projects that skill in its use will seem important to the child, and systematic instruction will follow the first incidental learning as an opportunity, not as a task. Home projects will be carried on by pupils; the school teacher will bear the same relation to these projects as the volunteer leader of the "5C" clubs which are already operating under the direction of the Department of Agriculture.

That the teacher of the rural school should know the agricultural problems of the district in which he works is indispensable. That he should live in the community where he teaches and shall be sufficiently competent to gain the respect of the parents of the children enrolled in his school is imperative. That he should know how to teach children is assumed. What institution should prepare these teachers must be decided, and the program of preparation devised. The existing agricultural schools could undertake the task with no addi-

tional equipment beyond a rural school annex for demonstration in charge of a person competent to teach others how to teach. This is preferable to the use of normal schools, because of the expense involved in providing adequate equipment for giving the necessary agricultural training in these schools. As an alternative, in order to make socially important use of the able people who already have attended normal and agricultural schools, another plan might be devised; a group of such persons, under competent leadership, might be settled on a plot of ground under the land utilization scheme proposed elsewhere to gain experience in the problems of rural life and, through discussion and study, to work out in detail a program for the rural schools.

Mexico found it necessary to enlist able persons as missionaries to the rural people in its efforts toward betterment of the agricultural population. Russia capitalized the almost religious zeal of young people in its national campaign for rural reconstruction. Cuba will solve its rural problem only if young people can be found who are willing to devote their lives to work in the country—more interested in the progress of their work than in salaries, more inspired by the direness of the need than discouraged by the magnitude of the task. In the absence of such rural school teachers, the Cuban revolution will be without significance for the rural population. It will fail to touch the largest and most important part of the Cuban people, the country dwellers (*guajiros*).

4. *Secondary Education*

Only one adolescent in twenty of Cuba's population has an opportunity to continue his education in a public school for more than six years. This fact is scarcely less distressing than that half a million Cuban children of elementary school age are without school facilities. While the step of primary importance in improving the Republic's educational system is to insure at least a minimum school opportunity to every child, it is as truly essential that a much larger number should be given schooling well above the elementary school level at public expense for a period of years. In giving this opportunity for prolonged schooling, however, Cuban society is warranted in insisting that the pupils receive such training that they are not only well served as individuals, but can contribute to the development of sound Cuban life. Cuba now lacks the middle class which should fill the gap between those with but elementary schooling and those who have university education. Secondary education, as administered in the *Institutos*, has

as its sole aim preparation for university admission. To increase the number of students in such schools would at present mean either merely to increase the university group, or else, if graduates did not enter the university, would enroll a large number of young people in a type of school which fails of its purpose. Cuba needs a greatly increased number of people who have at least four years of general education beyond the elementary school. The only alternative now offered to university preparation is vocational education, in normal, trade, agricultural, or commercial school. The *Institutos* grant the bachelor's degree to students who complete their work. The leaving certificate from these schools should represent the termination of a stage of education which has given a well-rounded culture—an education valuable in and of itself. It is actually used only as mark of readiness for the higher stage of university education.

The whole range of post-primary education needs to be co-ordinated, the offerings enriched, and non-university preparatory courses dignified. The opportunities both for more varied vocational courses and for a course which is neither college-preparatory nor vocational should be provided, while a system of guidance and selective admission to the different courses should attempt to distribute young people in the most advantageous way for their best interests as well as those of Cuban society. A general cultural course which definitely disregards university admission requirements in favor of a well-rounded cultural experience is now completely lacking. The experience of other countries indicates that a large group of young people among those who should not be guided toward a university career will be attracted to such a course. A wide range of materials must be offered to meet the variety of interests of such a group. The Commission specifically recommends the creation in the *Institutos* of a general course with numerous electives, and the guidance of a large number of students into such courses. Until such non-university preparatory courses are made available, rigid academic aptitude tests should be used in selecting students for the *Institutos*, and the number admitted should not greatly exceed that which can be taken care of on graduation by available university facilities.

If the *Institutos* are to continue to be wholly supported from the national budget, then the allotment of funds to the six institutions should be on a more equitable basis than at present, and the equipment of the schools should not be allowed to differ to such a degree as between Santiago and Pinar del Río on the one hand, and Santa Clara

and Havana on the other. Also, some provision should be made for secondary education at public expense for young people living outside the provincial capitals. Additional schools in such cities as Cienfuegos, Cárdenas, Manzanillo, Morón and Sancti Spíritus, boarding departments in existing schools to accommodate students coming from outside the capital cities, or scholarships in existing private schools of high standards, paid from public funds in cities without public secondary schools—all of these could be used to spread opportunity for secondary education more evenly over the island.

The present chaotic state of the secondary schools—the result of three years' suspension of operations, drastic changes in personnel, and the revolutionary activities of students—makes the task of restoring normal conditions in the schools of primary importance. Once this is accomplished, the new problems of diversified curriculum, selective distribution of students among the various curricula offered, and educational guidance in general can be attacked. These problems are technical, and to their solution should be applied all the professional skill which can be mobilized. As a first step, serious efforts could be made to organize into a professional body all of the persons engaged in secondary school work, both in public and private schools. This group, once formed, could refer each of the outstanding problems in the field to sub-committees for preliminary study and report. That such professional groups can make invaluable contributions to the development of a nationally adequate system of secondary schools is demonstrated by the experience of England. Associations of headmasters and headmistresses, and of secondary school teachers working on its technical side, and an administrative set-up which has made the proposals of this group effective, account for much of the phenomenal development of new forms of secondary education and the improvement of old types in England. The initiation of such a professional organization in Cuba need not wait on economic recovery or on any act of the government. Thanks to the exceptional ability of the Cuban people in the use of foreign languages, all that has been written on the subject of reforms of secondary education in other countries of the world is at once available to this professional organization. Such professional study of the needs of Cuba in respect to secondary education should precede and guide the development in this field which is to be anticipated from the action of an enlightened government.

In the professional attack on the problems of secondary education, the School of Pedagogy of the University should play an important

part. It rests with the University to insure that the teaching personnel of the secondary schools shall be competent, thoroughly prepared in the subject matter to be taught, adequately trained in the techniques of teaching students of the ages found in the secondary schools, alert to meet the fundamental needs of these young people, and competent to take part in the solution of the problems of the secondary school. The old curricula of the School of Pedagogy and the School of Arts and Letters have not insured these results. It is to be hoped and expected that reorganized plans and programs of studies will meet them more adequately.

The forms of post-primary education carried on by schools other than the *Institutos*, including all forms of vocational, commercial, agricultural and higher primary education, should be brought into the general scheme of secondary education. Each of these has its peculiar problems, to be considered as sub-problems in the whole program of post-primary schooling. The first problem needing attention in connection with this group is that of vocational and educational guidance. No adequate information is now available in Cuba on occupational distribution or occupational opportunity. Complaints were heard by members of the Commission in different parts of the island of a shortage of persons with certain skills, notably carpenters, furniture designers and makers, and mechanical "handymen" with a basic mechanical knowledge, who could be given specialized training after employment. Some agency should make these needs known to vocational school authorities, and curriculum construction and vocational guidance should be based on such information. If the program of rural reconstruction outlined elsewhere in this report is put into operation, an important new outlet will be created for young people trained in trade and agricultural skills, and the success of the plan will in large measure depend on the readiness of the corresponding schools to offer the necessary training and guide students toward it. The appropriations for vocational training of all sorts except teaching are now absurdly small, particularly those for agricultural training, in view of the fact that Cuba is pre-eminently an agricultural country. But it is futile to increase the facilities for agricultural training without creating the conditions under which young people who take the training can apply their skills to their own advantage and that of the farm situation in general.

As a preliminary step to the expansion of vocational education, the formation of a vocational council is suggested. This council should be made up of employers, representatives of the union of skilled workers,

of some persons from such organizations as the *colonos'* associations, the tobacco and coffee growers' association, and the *Sociedad Económica de Amigos del País*. It could carry on a survey of the needs for vocational training, and its report would serve to guide both the establishment of new types of work in the schools, and the vocational guidance of students enrolled.

This council could also canvass the opportunities for cooperative vocational ⁶ education, which means the use of the equipment of commercial shops and factories for practical instruction, the theoretical instruction being given in the schools. The heavy expense for tools and machinery for special school shops is thereby greatly reduced, the variety of technical skills which can be taught is increased, and the work of the school is kept in constant touch with actual shop conditions. Cooperation of owners and managers of industrial establishments would have to be secured, and the advice of labor leaders in respect to conditions of apprenticeships would be necessary. These could be secured through the activities of the proposed council.

With respect specifically to the six public agricultural schools, the fact must be borne in mind that the experience of other countries clearly indicates that agricultural schools cannot be expected to improve agriculture to any degree through direct training of farmers. This will be particularly true in Cuba, where the difference between urban and rural life is so enormous. One cannot expect young people who have completed six years of elementary school and three years of post-primary school—a period of schooling which is only one year less than that required for the coveted bachelor's degree—to become independent farmers under present conditions in Cuba. They may find supervisory posts with the large-scale sugar enterprises, but Cuba's great need for improved agricultural skill is in the area of small-scale agricultural undertakings. Boys with nine years of schooling behind them will not go into such undertakings. The establishment and support of agricultural schools will improve agriculture in the areas where it most needs improvement only if an agricultural extension service is organized by which the skill and knowledge gained by the students in the agricultural schools can be carried to the farmers. The details of such a service are presented in Chapter XVIII.

If the program there outlined be put into effect, the curriculum of the agricultural schools will need to be revised in the light of the

⁶ The cooperative plan is well illustrated in the practices followed in the schools of Cleveland and Cincinnati, and in the Mechanics Institute in Rochester.

service which their graduates are to render. Not agricultural production alone, but the whole problem of rural life must be dealt with. Rural sanitation and farm management, design and construction of buildings that fit the conditions of Cuban rural life, farm economics that have the realities of the present and immediate future in mind—these must be among the topics that find a place in the program of studies of the agricultural schools. Special training in extension work must be offered. No schools will be called on to render a more important service, and none should be more sensitive to the proposed program of rural reconstruction. They will be the important foci of the extension activities, and should have a special staff trained in extension work. Through the extension organization, students who become local agricultural agents will be in constant touch with all that is newly developed in these institutions.

Six agricultural schools were visited by the Commission and, while all show the destructive effects of three years of idleness, all are in condition to resume effective work at once. Careful selection of personnel to complete the staff of each school and equally careful selection of students and adequate curriculum construction are more important than any large immediate new expenditures for buildings or equipment.

In the social reconstruction of the country, an important item is the improvement of general skills of living. No increase in economic security will accomplish what is desired unless accompanied by modes of life which will reduce the enormous gap now existing between rural and urban people in Cuba. The young people who leave schools where they have spent three years should go out with sound standards of decent, satisfying ways of living. What is about to be said applies to all schools in Cuba where the students live at the school. To insure that they shall acquire improved living habits and tastes, students should encounter conditions with respect to eating, sleeping, privacy, cleanliness, artistic surroundings and social intercourse which will habituate them to ways of living well above existing rural standards. By example and precept they will become forces for improving the communities into which they go after leaving school. Rural Cuba has no more reason to be dirty, ugly and on a level of primitive decency than it has to be hungry. Practically everywhere in Cuba standards of dress are high. Standards in other aspects of living can feasibly be brought up to comparable levels.

5. *The Normal Schools*

The normal schools are dealt with as a part of secondary education for two reasons; they are on a secondary level, their four-year course paralleling that of the *Institutos*; and they not only function as professional schools, but play an important part in offering education beyond the six years of elementary school to a very large number of young Cuban people who would otherwise find no opportunity for these additional years of schooling. In numbers of students served, the normal schools have since their establishment very nearly equalled the *Institutos* in supplying a group of persons of education intermediate between those with only elementary schooling and the university group. This service is of an importance second only to that of supplying trained teachers for the elementary schools. In this respect they resemble similar schools in other countries, notably Argentina, where the normal schools established by Saramiento not only prepared teachers but also gave young women the only readily available opportunity then offered for education beyond the elementary school in publicly supported institutions.

The normal schools have suffered from the same disturbance as all other secondary schools of Cuba. They were closed for three years, and have only recently re-opened with new personnel, equipment badly deteriorated, and student bodies disturbed by an absence of three years and activities in connection with revolution. The immediate problem is one of returning to normal routine, restoring buildings, notably that in Santiago, to a usable state, and finding an adequate location for the Havana school.

Four specific recommendations with respect to the normal schools are offered:

First, organization of persons engaged in teacher preparation, for the study of professional problems. Each school now operates in isolation. An official plan of study gives them a uniformity of curriculum content, but no cooperative enterprise is under way for technical improvement of their work. Cuba has persons who are well informed in the theories and techniques of modern education developed elsewhere. The school practices in Cuba's elementary schools can most quickly be improved by mobilizing this knowledge and devising ways of training in these new techniques the students who are soon to go out as teachers.

Second, group the kindergarten, first and second grade teachers-

in-training into a single unit. The reasons for this combination are discussed in the section on elementary schools.

Third, devise rigid selective tests for admission. Teaching is too important a service to allow persons to prepare to enter it without close scrutiny of all relevant facts about candidates which will indicate the probabilities of their developing into competent teachers. The normal schools can and should govern their student enrolment to meet anticipated needs for new teachers, and should take only the best candidates for admission up to the number required.

Fourth, become centers for the training of teachers already in service. Cuba's teachers are all on a twelve-month basis as to appointment and salary. To meet the emergency which now exists, no great hardship will be entailed if summer sessions in the six normal schools are organized, and every teacher is required to attend such a session at least once in every four or five years. Only in this way can teachers now in service be trained to carry on the schools in the new spirit and follow the new plans which, it is hoped, are to mark Cuban schools in the immediate future. A summer teachers' camp on the general plan of that at Baguio in the Philippine Islands, but much less elaborate, might well be contemplated. Cuba has many attractive spots where a camp could be located and a wholesome vacation combined with profitable supplementary training be offered to teachers.

6. *School Buildings*

Cuban schools are badly housed. A very large number of elementary schools occupy rented buildings which were not designed for school use and are poorly adapted to school purposes. The *Institutos* in Santiago and Pinar del Río are working in altogether inappropriate buildings, and that in Havana is inadequate to care for the number of students enrolled. The charge for rent constitutes a very considerable item in the budget of the school system, and the present difficulties of school authorities are increased by their liability for rent unpaid in previous years. In the budget for education for 1933 to 1934, the item for rent amounted to \$295,761. Obviously this amount, plus a modest sum set aside for a building program in the annual budget, would pay the interest and the amortization charges on a bond issue large enough to initiate a school building program. Such a suggestion, however, fails to take into account that at present and until the financial difficulties left by preceding national administra-

tions are cleared up, borrowing for public works in Cuba will not be an easy task.

Before a comprehensive building program is initiated, certain preliminary steps may well be taken. Skilled architectural service should be enlisted in the preparation of plans for school buildings and grounds. The persons undertaking this preliminary work should familiarize themselves with all that has been achieved in schoolhouse construction in countries with comparable conditions. The experience of the Philippines should have some significance in this respect. In designing the new buildings, full account must be taken of the educational program that is to be carried on in them.

The selection of locations for buildings should also precede construction. Havana and the other large cities will meet the difficulty that confronts all urban communities in securing sites sufficiently large for school building purposes. Except where urban conditions make it impossible, no school should be built without ample play and out-of-door work space. The smaller communities can all find locations away from their main thoroughfares, where school buildings can be built on large plots. In the case of rural schools, the ground is for the moment more important than the buildings. In Chapter XVIII will be found a special program for the construction of rural schools. This plan contemplates that the construction of essential buildings will constitute a community project. The rural school building may well be the kind of construction feasible for residence buildings in the community, including only such improvements over the existing type as will set an example for housing betterment in the region served by the school.

A program which can be put into effect at once in connection with school buildings is that of beautification. One of the most distressing outward signs of Cuba's unhappy recent history is the ugliness which prevails in a country which should be one of the beauty spots of the world. Where bougainvillea, hibiscus, royal palms and all the flowering plants native to the tropics will grow as they do in Cuba, no matter what the interior of a school building may be its exterior can be made beautiful. No more appropriate beginning of an activity program in Cuba's schools can be devised than that which would grow out of a nation-wide campaign to "make the school grounds beautiful."

In case an attempt is made to shift a part of the financial responsibility for education from the central to local governments, considera-

tion might be given to a plan to encourage the provinces and municipalities to undertake the provision of school buildings with national aid. In France the departments furnish sites and buildings for the departmental normal schools and the communes are similarly responsible for housing elementary schools, the state making special grants to these local units to pay a part of the interest on bonds issued in financing construction. Administrative officers in Cuba would be well advised to study carefully the operation of this plan in France and the feasibility of putting it into practice in a suitably modified form.

The advantage of making a building program under provincial or municipal auspices a first item in a plan for developing local expenditure for education is that a school building appeals to the imagination and can become a matter of local pride. The community feels that its money has been expended for something that cannot be taken from it, and that it has insured a good school for its children. The Secretariat of Education would retain the right of approval over plans and sites. It would have a fixed policy for giving aid, a policy which might well include at least the following three bases for distribution of aid—bases which will be valid no matter what local educational responsibility might later be made for financing schools.

(1) A carefully calculated amount, based on a fixed sum per child in average daily attendance throughout the island, would be included annually in the national budget, to be distributed to local units on the basis of attendance of children in each unit. In the case of school buildings, this sum would be in any one year too small to construct a schoolhouse. If the local community made no effort to start a building program, the annual national appropriation would have to accumulate until it reached, for any given community, the amount needed for a building.

(2) A certain sum would be made available in each year's national budget, from which local expenditures would be matched. If the local expenditures proposed for a given year exceeded the amount of the national appropriation for the purpose, the matching by national funds might be made less than dollar for dollar, or local projects might be approved, for matching, only up to the limit of the available national appropriation.

(3) From an equalization fund, national aid would be distributed to the local authorities making some contribution to the support of education in inverse ratio to the returns per child of school age from

an equal tax rate in the different communities levying that rate. If two municipalities voted the same tax rate, and in one the income per child of school age or in average daily attendance were much higher than in the second, the equalization fund would make a larger appropriation to the second community in order to equalize the educational opportunity in the two communities which had, as indicated by the rate at which they taxed themselves, made an equal effort to support education.

Experience has shown that these three ways of distributing national funds to local communities, combined in such relative proportions as conditions warrant, are a sound scheme for the encouragement of local effort and for a more even spread of national support over the whole area involved.

7. The University of Havana

The important part played by students in the political revolution, which is an outstanding factor in the present Cuban situation, has been referred to in a preceding chapter. This activity in public affairs has been duplicated in an intensified degree in their relations to University organization during the same period. The interesting facts about the University of Havana at the present moment are not those of actual organization of curricula and faculties, buildings and budgets, equipment, enrolment and requirements, but the reconstruction of the University on a new basis after three years of complete paralysis.

During the period to August 1933, the students intensively co-operated with other revolutionary groups in the anti-Machado movement. A number of students were killed by the government and its supporters, many more were imprisoned, and others were forced to leave the country. With the fall of Machado the students, having been successful in their political activities, turned their attention once more to the problem of University reorganization which had agitated them since 1922, and set out to rid the University faculties of all persons antagonistic to the revolution. A "Committee of Purification" was elected by a general assembly of students, whose task was to determine which professors of the University had opposed the revolutionary movement and to drive them from their posts. Forty-five professors were accused and were called on to defend themselves before a Student Tribunal. The charges brought against professors were: (1) that they had taken part in the Disciplinary Councils of 1927 and 1928 above mentioned; (2) that they had refused to sign the manifesto of De-

cember 1930; and (3) that they had collected their salaries from the Machado government during the years 1931, 1932 and 1933 when the University was closed by presidential order. Some professors were charged with all, some with one or two of these acts. In December 1933, the Student Tribunal submitted its report to the General Student Assembly. The Assembly voted that all those found guilty of the first charge be expelled from the University faculty, together with all professors who were proved to have supported the Machado régime. In the cases of the other accused professors, the Assembly voted a public rebuke and suspension from their posts for two years.

Although the students were in full control of the University by reason of their connection with the revolutionary forces which had seized the government, theoretically control of the University was still in the hands of the faculty (*Claustro de Profesores*) and the University Council, a small body made up of members elected from the faculties. The anti-Machado element in these bodies set in motion their own machinery of University reform. Their action failed to correspond in some cases with that taken by the students, and in January 1934, they agreed to join in the formation of a mixed commission of twelve members, made up of two students and two professors from each faculty, to investigate and report on the professors who had been voted on unfavorably by the Student Assembly but not by the faculty. The report of this mixed commission was placed before the Student Assembly in June 1934, and, as a result of the information gathered and of the appeals presented directly to the Assembly in behalf of accused professors, decisions previously reached by the Assembly were revoked in certain cases; the Assembly, however, voted that all others of the forty-five who had been accused be expelled finally from the University. The Assembly, fearing that the faculty might fail to agree to these acts, went further and demanded on June 13 that all members of the University Council should resign, and that the Council be reconstituted by the election of persons in whom the students had confidence. This Council is the administrative body of the University, and its authority is theoretically final in all University affairs. From June 25 to 27, 1934, the faculty of the University, in secret session, voted to refuse to ratify the action of the mixed commission and the Student Assembly in the cases of certain professors.

Since it was perfectly obvious that the University could not function while students and faculty were in disagreement over these cases, the faculty as a whole resigned on June 29. This wholesale resignation not

only made unnecessary further discussion of the cases of professors where students and faculty were in disagreement, but also made it less probable that an appeal to the courts would be taken by any of the expelled professors. The Council refused to accept the resignations of the professors who are in accord with the Student Assembly, thus preserving a skeleton faculty organization around which as a nucleus the complete staff can be rebuilt in accordance with the University statutes now in force.

The willingness of the revolutionary government to leave the fortunes of the University in the hands of the students and such staff members as were acting with them was indicated by the decree, issued by Grau San Martín on October 6, 1933, and reaffirmed by the Mendieta government, declaring the University an autonomous institution, removing from the Secretary of Education all authority over its affairs, and setting aside 2 per cent of the ordinary budget of the Republic for its support.

How the University will be organized to carry on its affairs as a self-governing body is now in process of being decided. The existing statutes of the University place administrative control in the University Council, composed of members elected by each of the three faculties. The students have now expelled the members of the faculty to whom they objected and have gained full control. That they will relinquish their power in favor of faculty control seems highly improbable. A plan⁷ is now under discussion in which the governing bodies, with representation of faculty, students and graduates, are set up.

This plan proposes that supreme control be vested in a University Assembly, to be composed of two professors, two students and two graduates for each school or faculty which has no divisions into schools. As a transition measure, the representation of graduates and the already existing Havana professional groups is postponed until organization of these groups can be completed and a method of choosing representatives arranged. All powers not expressly placed within the competence of other subordinate bodies are to be exercised by this Assembly, and appeal from all actions of subordinate bodies may be taken to it. Each of the principal divisions of the University is to be governed by a Faculty Council, composed of the dean of the faculty, the directors of the schools, the secretaries of the schools (these to be faculty members), and two students from each school, the secretary and vice-secretary of each council to be elected from among the student members.

⁷ *Ante-Proyecto de Estatuto orgánico de la Universidad de la Habana* (Havana, 1934).

In like manner, each school⁸ is to have its council composed of the director, and one professor and one student from each of the courses offered in the school.

The plan proposes that the General University Faculty be made up of all of the professors, that the faculty of each division include all the professors of the division, and that the faculty of each school, as an organized deliberative body, be made up of all the professors of the school and one student from the course offered by each professor. These faculties are to deal only with matters of professional character, and all their acts are to be subject to review by the respective councils. The Rector of the University is to be elected by the University Assembly, and the administrative officers of the faculties and the schools are to be elected by the corresponding councils for a period of three years, and may not be re-elected.

The plan proposes that the economic administration of the University be carried on by an economic council, composed of three professors elected by the General University Faculty for terms of three years; three students, to be elected each year by the Federation of Students; three graduates of the University; and two persons elected from among their own number by all of those who have given a single gift of \$25,000 to the University or are making an annual contribution of more than \$1,000 toward its support.

The complete personnel of the University—professors, students and employees—is to form a University City, and each of these persons, on assuming his character as student, professor, or employee, is to be required to take an oath that he will discharge faithfully his obligations as a citizen. Students will be self-governing, and no provision is made for any review of acts of student organizations with respect to such government by any other body or court.

That the present students of the University should look with favor on a plan which contemplates perpetuation of a large measure of student administrative control is perfectly understandable. In setting up a permanent organization, the attention of the present student group may well be called, however, to the fact that they are an unusually mature group—older, the majority of them, by three years than subsequent student groups will be, and matured by the responsi-

⁸ The University is organized into three faculties: Letters and Science; Medicine and Pharmacy; and Law and Social Sciences. The first has five schools: Letters and Philosophy; Pedagogy; Sciences; Engineers and Architects; and Agronomy and Sugar Engineers. The second has four schools: Medicine; Pharmacy; Dentistry; and Veterinary Medicine. The third has two schools: Law, and Political and Social Sciences and Economics.

bilities and activities of three years of revolution, an experience through which no other generation of students should have to pass. If the plan is adopted as proposed, the powers they retain will pass, as they emerge from the University, into the hands of a new generation of seventeen, eighteen, and nineteen-year old students. Once the present students graduate, their influence will be comparatively small. With these considerations before them, they would be well advised in giving careful consideration to some plan for selecting from the whole body of Cuba's intellectual group a supreme governing board which, once constituted to their satisfaction, would, by suitable provisions for self-perpetuation, give a sounder guarantee of the continuation of the ideology which now controls the University than one dominated by oncoming generations of students and a faculty which will be chosen primarily for its competence in the various fields of knowledge.

In considering the kind of educational service which the University of Havana is giving to Cuban young people and Cuban society, the following figures furnish interesting information.

GRADUATES FROM VARIOUS UNIVERSITY SCHOOLS FOR THE FIVE-YEAR PERIOD
1925-26 TO 1929-30 *

		<i>By Faculties</i>	
1. Civil and Public Law	0	891	891
2. Civil Law	799		
3. Public Law	86		
4. Lawyer	0		
5. Notary	6		
6. Political, Social and Economic Sciences	0	1537	1537
7. Medicine	794		
8. Pharmacy	427		
9. Dental Surgery	272		
10. Veterinary Medicine	44	64	64
11. Philosophy and Letters	64		
12. Pedagogy	146	38	38
13. Physico-Mathematical Sciences	12		
14. Physico-Chemical Sciences	12		
15. Natural Sciences	14	139	402
16. Civil Engineer	75		
17. Electrical Engineer	8		
18. Architect	56		
19. Agricultural Engineer	0	15	15
20. Agricultural-Sugar Engineer	12		
21. Chemical Expert	1		
22. Chemico-Agricultural Expert	2		
23. Agricultural Expert	0		

* *Estadísticas, 1930, pp. 54-55.*

REGISTRATION BY RACES, 1929-1930

	<i>White</i>		<i>Colored</i>		<i>Total</i>		<i>Grand Total</i>
	<i>Men</i>	<i>Women</i>	<i>Men</i>	<i>Women</i>	<i>Men</i>	<i>Women</i>	
1. Civil Law	653	30	40	4	693	34	727
2. Public Law	91	8	4	0	95	8	103
3. Profession of Notary	101	11	4	0	105	11	116
4. Lawyers	231	9	7	0	238	9	247
5. Political, Social and Economic Sciences	190	4	6	0	196	4	200
6. Medicine	1356	18	150	9	1506	27	1533
7. Pharmacy	202	111	18	23	220	134	354
8. Dental Surgery	638	36	99	21	737	57	794
9. Veterinary Medicine	252	3	15	0	267	3	270
10. Philosophy and Letters	169	188	10	22	179	210	389
11. Pedagogy	268	573	32	61	300	634	934
12. Physico-Mathematical Sciences	86	20	4	0	90	20	110
13. Chemical Science	102	29	2	0	104	29	133
14. Natural Science	135	64	3	2	138	66	204
15. Civil Engineer	271	11	9	1	280	12	292
16. Electrical Engineer	124	2	1	1	125	3	128
17. Architect	152	7	8	0	160	7	167
18. Agricultural Sugar Engineer	119	5	6	0	125	5	130
19. Chemical Expert	44	3	2	0	46	3	49
20. Agricultural Expert	37	1	3	0	40	1	41
Total	5221	1133	423	144	5644	1277	6921

The following facts emerge from these arrays:

1. By far the largest service rendered by the University is in the preparation of young people for medicine and related professions and, if to this be added preparation for the legal professions, other services are almost negligible.

2. The University has contributed little to the preparation of technicians in the field of agriculture, which is Cuba's largest field of activity, and little to the preparation of engineers whose services are closely related to Cuba's major needs.

A consideration of these facts leads to the inescapable conclusion that there is a lack of adjustment between the service rendered by the University and the needs of Cuba with respect to these various

professions. Cuba needs fewer doctors and lawyers and more technicians in the engineering and agricultural fields.

Certain facts must be borne in mind in considering this situation. In the first place few young people may be entering what seem to be the essential fields of agriculture and engineering because no social organization has made possible the exercise of these professions to the mutual profit of technically prepared people and Cuban society. University students look forward to opportunity rather than to social need in selecting their field of specialization. Again, medicine and law offer the most prolonged preparation. For this reason, in part at least, degrees from these faculties carry exceptional prestige. Not only do the practice of medicine and law offer opportunities, but the number of callings into which young people trained in medicine and in law find their way by reason, not of technical preparation, but of the fact that they are the most highly educated persons in Cuba, is large. And finally, the lack of any non-specialized University education of a dignity and rigorousness comparable with the law and medical school requirements has left no alternative to ambitious young people desiring prolonged education. No system of selective distribution of students among the various faculties and schools could fairly be put into operation in the absence of opportunities that such a non-specialized education should offer.

As a major change to be carefully considered in remaking the plans and programs for the University, therefore, the organization of a five or six-year general course, with possibilities of extended specialization in different fields of knowledge and leading to a distinctive doctor's degree, should be included. If such a course were arranged, selective admission to the faculties of law and medicine could then be enforced. The numbers admitted to these now overcrowded faculties would be limited to the number of persons actually needed in these professions, enrolments in other technical schools would be encouraged, and for those who desired a general culture, the new, rigorous, prolonged, non-professional courses would be open. The large enrolment in the faculties of medicine and law indicates that Cuban university students seek the longer courses, and no pressure need therefore be brought to induce them to enter longer, in preference to shorter, courses. Nevertheless, dignity would be added to all doctor's degrees if no faculty or school granted such a degree without completion by the student of at least six years of full-time studies. Cuba unmistakably needs cultured persons, but for the sake of the young people concerned and for the

sake of the now overcrowded professions of medicine and law, it needs to exercise some control over the kind of higher education which is made available. The University is the appropriate agency for exercising that control, limiting in no way the amount of instruction which young people may receive, but guiding wisely the choices of the type of prolonged education which they shall undertake. A careful study of the policies adopted in this regard by Chile in 1928 is suggested.

The Commission also strongly advises the organization within the University of a research institute, analagous to the Finlay Institute, which shall bring to bear the techniques of modern scientific inquiry on all problems of Cuban life, particularly its social problems.

8. *Libraries*

While schools represent the major institutionalized cultural agency in Cuba and are practically the sole such agency publicly supported, a discussion of education must include at least brief mention of one other factor contributing to intellectual life—namely the libraries.

Altogether Cuba has forty-four public libraries, with 599,491 volumes, 95 per cent of which are in the libraries of Havana and Matanzas, the smallest provinces. Oriente, which is the most populated, has only 10,928 books in seven public libraries.⁹ The National Library in Havana has 207,423 volumes. The Library of Congress and that of the *Sociedad Económica de Amigos del País* excepted, no other library in Havana has a good catalogue. The Library of Congress is excellent, but is not freely open for use by the public. The national institution is in a disgraceful condition. Its bookcases were taken away during the Machado administration, the books were boxed and stored in a prison building, and, while they have now been restored to the library, the state of the building and lack of shelving have made it impossible to remove more than a few volumes from the packing cases.

In October 1933, during the Grau administration, two decrees were prepared with a view to increasing the public libraries and giving them modern organization. One of these merged the National Library with the Library of Congress, housing them both in the splendid building of the Capitol, and provided for a trained staff and a catalogue. The other decree provided for the establishment of a *Junta Nacional de*

⁹ Herminio Portell Vilá, *La biblioteca y el libro cubanos como factor sociológico* (Havana, 1934).

Bibliotecas, Archivos y Museos to take care of all public libraries in Cuba and their personnel, the latter to be chosen through examinations. Every town or even society having more than one thousand books could apply to the *Junta* to have its libraries declared public. If the *Junta* considered the application deserving of approval, such a library was to be declared a public library, and entered in the official system. The decrees were never enacted, due to the uncertain political situation prevailing at that time.¹⁰ The government would do well to consider the adoption of these decrees and to increase library appropriations generally.

¹⁰ *Ibid.*

CHAPTER VII

SOCIAL WELFARE

Morro Castle and its tall stone lighthouse keep their ancient guard at the entrance of one of the most beautiful harbors in the world and symbolize for the visitor to Havana what was protective as well as oppressive in the Spanish régime. They are more likely to catch the eye than something equally old and significant—the walls of the *Casa de Beneficencia y Maternidad* founded in 1705 for orphan children, and overlooking the waterfront boulevard. This asylum, the largest and oldest in Cuba, cares for 700 girls and boys. It epitomizes the old tradition of benevolence on the island. This tradition has clung to institutional forms, gracious in their Spanish architecture and flowering patios, which lend physical charm seldom attained in the philanthropic institutions of the United States, but lacking in that social awareness which reaches out into the homes, and unconcerned with the prevention of the ills which bring their charges to them. As unemployment has risen, the orphanages have thrown open their doors to children with parents who lacked only the chance to earn a living, caring for the few but leaving the great body of dislocated families untouched and unhelped.

By contrast, the “shanty-towns” of Havana represent what landless and workless people have done for themselves. To find 1,500 families lodged in them seems even more of a paradox than in New York or Chicago, for Cuban soil can give so generously. People huddled together, depending on odd jobs, begging for food, or standing in line at a soup kitchen live so very near idle country districts which could yield them ample subsistence. Characteristically enough, these “shanty-towns” are built of Cuba’s waste—the boots of palm trees which have been used as wrapping for tobacco bales—but they look like the “shanty-towns” in the United States that have been put together these last five years from tin cans and packing boxes. These small settlements are often referred to as *llega-y-pon*, which translated means “arrive and flop.” There is, however, a great deal more to them than the name suggests, for these small villages rapidly take

on the pattern of community life. Paths become little streets with names, and the houses have their numbers. Tiny shacks appear as grocery stores displaying a few cans of vegetables, tobacco and a few bananas. Even the distinction of rich and poor has its expression, for at the end of one town there was a particularly miserable hut. "That is the home of a poor woman," said the so-called mayor. "She is too poor to build a better house. This," he explained, "just keeps off the rain."

In one such town visited, said to house a hundred families, there was no water supply or sanitation of any kind. For water the people went to a hydrant a block or so away, and for toilet facilities used the vacant land nearby. The "mayor" and his helper explained that they themselves built houses costing \$2 for any one who had that much money and could not build for himself.

"Smoke," a neighboring town, had a somewhat more elaborate set-up for its 350 families. A water spigot was in the center of the settlement, and latrines had been started but were unfinished, due to lack of money for materials. Some of the little huts revealed a sense of artistry and had an air of well-being, even in the midst of heat and squalor.

There was no school for the crowds of youngsters who thronged the settlement. The mothers and fathers had been so anxious for one, however, that they had collected 10 cents a week for each pupil to pay a teacher. They had managed to have the teacher for four months and then their money gave out. Many of the children appeared pitifully undernourished and needed medical attention in other ways.

These Havana "shanty-towns" illustrated needs found repeated in the small towns and outlying country districts. What are the public provisions for dealing with such needs?

1. *Organization for Public Welfare*

Public health and welfare work in Cuba are centralized nationally in the *Secretaría de Sanidad y Beneficencia*. In the *municipios* they are administered jointly by a single director. During the Spanish colonial régime, government hospitals were established and private endowments also carried on welfare work. General Wood's administration was signalized not only by the campaign against tropical diseases and the inauguration of a system of sanitary control, but by the

extension of the system of public hospitals throughout the larger towns and cities. Successive administrations continued this development.

These and other governmental institutions suffered severely during the Machado régime. Hospital budgets were left without provision for needed scientific equipment or dietary requirements; although a new prison was constructed on the Isle of Pines, reformatories and prisons in general were in a filthy condition, and infectious diseases were permitted to get out of hand. The most helpless in the land, the sick, the mad, the poor, old people and young children, were the unknown and uncouneted victims of graft and tyranny.

These same institutions have fallen short in meeting the stress of the economic depression, not only because their income, personnel and equipment were permitted to run down, but also because the system of public welfare has needed reconstruction.

The policy of centralizing government activities in Havana has failed to assure adequate facilities to the local communities, while at the same time discouraging local initiative. When the large general national hospital in Havana was recently transferred to the national University, plans were discussed at once to build another and larger hospital in Havana out of national funds, regardless of the needs of districts elsewhere on the island quite devoid of hospital service. Too often the national government has started work in Havana with the idea of extending it to the provinces, and the extension has not taken place. Centralized or decentralized, the need is for a systematic distribution of essential social institutions throughout the island. The institutions themselves, wherever located, should be effectively related to the homes of the people. Cuba today needs visiting nurses, social workers, probation officers, recreation leaders, farm demonstrators to reach out into the under-privileged city neighborhoods, and into the small towns and neglected country districts. While the sick can come either as indoor or outdoor patients to existing medical institutions, they have nowhere to go if their sickness is economic or social rather than physical. Neither the national government nor any municipality visited maintains a bureau equivalent to the public welfare departments or family welfare societies in the United States, to which people in need may apply.

Unemployment

The Cuban government has as yet recognized little responsibility toward its unemployed citizens. The only official employment fund

was instituted in 1931.¹ A National Committee for the Welfare and Defense of the Needy was set up. Its funds were to be drawn from government appropriations, the proceeds of collections and benefits, individual donations and small monthly contributions taken from the salaries of all government employees. In practice these funds have come almost entirely from the last source. They have been exceedingly small. Collections were sent to Havana from the provinces and presumably redistributed, but there is much feeling throughout the island that too little gets back from the capital.²

The question of begging became so acute in Havana some months ago that an old market building was opened and supported from this national fund. Women and children were allowed to live on the second floor, men on the ground floor. In the daytime they sat around on benches and at night pulled folded iron cots out on the cement floors. At noon outside the building a bread line formed where other people came with small tin pails to take the food away. A move was made to close the place as it was felt to be unsanitary but in the absence of other effective provision for the homeless, it was permitted to continue. Meanwhile a subsistence project was undertaken some miles from the city on a former Machado farm. Approximately ninety unemployed men had been sent there to build houses to shelter unemployed families. The plan was to build a separate cottage for each family and barracks for single men; the people were to get subsistence for their labor but no cash return. The director was fired with the idea of inaugurating here a new industry for Cuba—silk-worm culture on a large scale—as a means to make the place self-supporting. No matter how his experiment may work out, the place holds possibilities as a rural training center. If each family could be taught how to grow its own food, and the government could then move them on to subsistence farms, it might lead to their permanent rehabilitation.

Another project in Havana was supported by municipal funds and run by the Salvation Army. This was a camp located at *Casa Blanca* and holding 350 people, most of whom had been picked up on the streets as vagrants. The charge against them on the police record was

¹ Decree No. 798, June 13, 1931, modified by Decree-Law No. 67, March 12, 1934, and Decree-Law No. 142, April 16, 1934.

² During the year October, 1931, to October, 1932, for example, \$114,549 was expended in Havana Province, but only \$6,407 in Camagüey Province and \$5,925 in Oriente Province. Between April and the end of June, 1934, the committee expended \$13,333, distributed as follows: \$6,000 for the support of 700 children and 200 old people placed in institutions, \$4,000 for 4,000 monthly rations, \$1,000 for 850 daily cooked rations, and the balance for clothing, tools and other expenses for a small agricultural colony.

"no home." The women kept their small children with them in one barracks, the men were in another, and the boys in a third. The long rows of beds were clean and the food seemed ample. Children sat around under the trees, women washed their clothes in big tubs and there was an air of casual friendliness throughout the place. Nevertheless, little was given them to do and, as there was no way to get back to the city during the day, they looked on it somewhat as being in prison.

The inadequacy of such piece-meal attempts to meet the unemployment and dependency situation in Havana is self-evident to progressive Cubans. Less provision was made in other centers—nobody knew how many unemployed there were in any locality visited. This lack of provision may be illustrated by a household in one provincial city where the young father, once a soldier and a rural policeman, had been out of work for eleven months. With nine people to provide for, he had been able to pick up only \$7 on odd jobs the month before. The house of four rooms, bare, with mud floors, rented at \$4 a month, but this rent was unpaid. The unemployed father explained that it took 50 cents a day to feed the family if they were to keep well. Furniture consisted of one old straight-backed chair, two rusty spring beds without mattresses, and a small stove. Ironically, they lived on what had been named the "Street of Help"; but there was no place they could go for either aid or a job.

Quite generally, efforts have been made to absorb some of the unemployed in road-building or other public works. In Santa Clara, for example, a slaughterhouse was to be rebuilt and a schedule of employment had been worked out, giving the greatest number of hours of work to applicants with the largest number of dependents. While only 85 men could be employed at once, it was hoped to spread the work so that some wages might be given to a thousand. The precarious situation of the families of the local unemployed had brought about consideration of a relief bureau. So far as our inquiry showed, this bureau, if established, would be the first on the island.

Save for aid during disasters, public outdoor relief—that is help given to people in their own homes—is almost unknown. Despite the strength of the family bond in Cuba, the idea of reinforcing the family and keeping it together in times of distress is not yet generally accepted as a method of meeting family need. The old institutional tradition persists in the Bureau for Children of the National Department of Health and Welfare, which has 850 children under its care. Except

for a small group placed in free foster homes, these are boarded in private asylums at a cost of \$8 a month. Sometimes three and four children are taken from the same family, thus costing a sum of \$24 or \$32 a month, which would in some cases keep the home together. Instead, the children must go to the asylums and be separated from parents whose affection might bring warmth to life that no institution could match.

A family bureau within the national department with a staff trained in family visiting, and similar bureaus in the municipalities could deal with such situations. If unemployment were found to be the chief cause of distress and the parents good guardians, the children might well be boarded at home rather than in an institution. Cash relief would thus be substituted for institutional care. Under this plan, families should, of course, be visited regularly. Aside from relief the father or mother could be helped to procure work, better housing and medical care, and the children education. Psychological difficulties which stand in the way of self-dependence should be dealt with. Unemployment but emphasizes the need for such work in Cuba.

The case against present methods was put by a group of Havana women thus:

"A family of father and mother, with three or four children, has been reduced to absolute poverty because of unemployment. We destroy that family to protect it, sending the children perhaps each one to a different school or asylum, the parents to a camp, the men on one side, the women on another. What remains of that family? Nothing."³

The group advocated that government money be spent in constructing small houses on uncultivated land and in staking families until they were established. Subsistence homesteads may supply one fundamental remedy for seasonal unemployment in the agricultural districts. But any adequate attack on the problem as a whole calls for a rounded program. No one method can meet the needs of all the unemployed. Efforts already inaugurated in parts of Cuba to provide relief by public works, such as road-building and low-cost housing, should be extended. Unemployment insurance for the workers in industrial trades should be worked out along lines adapted to Cuban conditions. Public employment bureaus are basic to employment planning. To meet the immediate need, each *municipio* should be organized so that those out of work may have some place to turn for counsel and relief.

³ From a brief submitted in July, 1934, by the Ladies' Committee to the Committee of the Indigents of the Department of Health and Welfare.

Before going further into the community problems which have been rendered acute by the depression, let us look more closely at the existing social institutions and consider their readjustment to the future.

2. *Hospitals and Health Services*

The oldest of these institutions are the hospitals. In the very earliest days the small settlements erected houses for the indigent sick, supported by contributions from the inhabitants. As early as 1556 the governor of the island rented quarters to be used as a hospital for the sick and wounded of the army; but it was not until the middle of the nineteenth century that male nurses were employed to assist the earlier caretakers—the monks.⁴ The general advances in medicine have made the hospitals the one group of institutions in Cuba inspired by modern science, but even when equipment and medical technique are of the highest standard, there is as yet a complete absence of hospital social service. Here is an untouched field in Cuba which will put the social worker by the side of the doctor and nurse in a scheme of treatment that conceives of patients as human beings, their full recovery hanging on the conditions which surround them on their discharge as convalescents.

Cuban hospitals, however, have already made progress in another direction through the establishment of clinics for out-patient cases. The Municipal Emergency Hospital in Havana has placed such clinics in eight different neighborhoods, and some interior cities have from one to three clinics. Another interesting feature is that dental work is done in six Havana clinics. A start has been made along similar lines elsewhere in the island. While in some, only children are cared for and in others teeth are only extracted and not filled, this is an encouraging beginning in an important health field which calls for widespread expansion.

The best examples of health education found in Cuba are in the baby and prenatal clinics where an effort is made to teach some of the first principles of child care and infant hygiene. This is done particularly by the fine maternity hospital run by the Havana municipality, by the baby clinic run by the National Department of Health and Welfare, and by clinics in some of the larger cities of the island.

Their success is handicapped, however, by the general lack of a tie-up between the institution and the home. Medical diagnosis and

⁴ Pezuela, *Diccionario de la Isla de Cuba*, cited.

treatment is often useless if there is no one to see that the treatment is carried out after the patient leaves the hospital or clinic. For instance, in the course of a housing inquiry, a baby and its mother were taken to one of the children's clinics in Havana. The doctor gave the mother a prescription for treatment of the baby's sores. She took this to the dispensary connected with the clinic only to find that it did not handle this particular medicine. Unless the mother had either been given the money to get the prescription filled at a drug store or known where she could get it free, the doctor's services would have been useless. To follow this family still further and visit the home would have revealed that seven children and the mother and father lived in one room, with one double bed and a crib, and no running water, and that the other children in the family were being infected by the baby's eruption. The mother had no idea that the skin condition was infectious, saying that she thought it came from the baby's teeth. A little girl of about seven had just come back from a hospital where she had been treated for tuberculosis and a heart murmur. If the physician in the hospital that discharged the seven-year-old had had the benefit of knowing the family conditions at home, he would probably have hesitated to send her back, knowing that this would undo whatever benefit she had received from the hospital treatment. Altogether the family needed a good deal of home care and health education, and exemplified the fact that institutional care is more valuable if a hospital social worker or visiting nurse sees to it that any further treatment necessary is followed out in the household.

Visiting Nursing

The first women nurses trained in Cuba graduated from the *Hospital de Nuestra Señora de las Mercedes* in 1902. There are said to be approximately 1,200 trained nurses in Cuba at the present time. While until recently there have been seven schools for nurses on the island, the scholastic requirements for entering the nurses' training courses have not been high. It is necessary to complete only the seventh grade in order to enter one of the best schools—that of the University Hospital which gives a three-year nursing course. More of the University-trained women, however, are said to be entering the service, and there is an effort among the early graduates to keep the standards high. There is as yet no training whatever for visiting or for public health nursing, where the initiative and imagination of the nurse is brought to bear on the social ills which bring many of their patients to the

hospitals. The welfare of the Cuban people needs just this kind of trained awareness. It is not practicable to build a hospital within the reach of people scattered in little huts over the countryside, or even of those gathered in small towns, but it is entirely practicable to put a visiting nurse within the reach of every hamlet. It would serve Cuba better to put such services into these neglected areas than to build a new national hospital in Havana where the people are already better served than anywhere else in Cuba. Moreover, in a city like Havana, home care for the sick through visiting nursing would cost only a fraction of hospitalization.

The Insane

A medical institution charged with widespread social implications is the hospital for the insane (*Hospital de Dementes*) with its 2,700 inmates, situated in Mazorra, not far from Havana. Patients are sent from every part of the island, where they are kept temporarily in local hospitals and jails. Their plight in the cells for transients is pitiable, as it is also in the central hospital itself.

One unhappy feature is the lack of occupation throughout the institution, even in the children's ward. In one of the women's sections a room had been provided with sewing machines and the attendant said that the women were so eager for something to do that often the room was crowded to many times its capacity. Interestingly enough, some trees in front of the administration building showed the possibilities of creative work with the insane. A Chinese patient had worked out large figures on the tree trunks reminiscent of the art of his native country. They showed a sense of design and power of concentration and accomplishment. The therapeutic value of self-expression on the part of patients could be widely extended under the proper teachers. The administration of the hospital was aware of what could be done along such lines, but felt that the budget did not as yet permit securing the necessary leadership. Again the need was for hospital social service.

The unscreened windows of the hospital wards registered the lengths to which neglect had gone under the old régime. The situation was epitomized in one huge patio bare of green and crowded with milling women of all ages and conditions, the cries and unkempt actions of some keeping the place upset. Conditions were worse, however, in the local places for detention of patients being sent to the central hospital. In one local hospital both dazed and violent inmates

were caged in cells adjoining the room where typhoid patients were segregated, the provision of netting to ward off mosquitoes from fever patients contrasting with the failure to protect them from the sounds of the insane row. In Santiago, the detention place was a small building near the local lock-up, with cells for violent patients, and both sexes of the non-violent mixing together in a desolate open court.

By July 1934 it had not been possible for the young doctors of the new administration at Mazorra to do many of the things they contemplated, such as a better classification of patients, proper segregation and care during the observation period, and above all a place where incipient cases might have some chance for recovery. But the situation transcends that of better institutional provision. Here is a field where medical science and the social impulse of the island can join forces not only in modernizing and humanizing the scheme of care, but in getting at causes and promoting an island-wide program of mental hygiene. The medical data of the insane hospital offered grim testimony to the prevalence of venereal disease as a serious source of mental breakdown and dependency.

Homes for the Aged

In contrast to the insane asylum, the homes for the aged in Cuba are less depressing than most institutions of the sort. The old people were found generally seated around a flowering patio in an informal fashion. Good physical care and kindly treatment answered their needs where these alone do not meet the needs of growing children or the sick. The Little Sisters of the Helpless Aged (*Hermanitas de los Ancianos Desamparados*), a Spanish order founded to care for old people, were in charge of most of the homes, and there was an air of friendliness and well-being under their administration. In one Cuban city the order has recently been put in charge of a neglected public institution and has transformed it.⁵ In spite of the fact that these homes are unusually successful of their kind, such scattered institutions are in danger of obscuring the need for a more comprehensive scheme of protection for old age. A system of old-age pensions for the general run of poverty-stricken old people would provide them with subsistence in their own homes where they might round out their lives in their own ways.

⁵ *La Misericordia*, an old people's home in Havana, is supported by the Masonic lodges of the island.

Children's Institutions

The asylums for orphaned and dependent children may be said to be the outstanding expression of the benevolent impulse in Cuba. They are in charge of lay boards, some of which are very active and alert; and the care of the girls is in the hands of Catholic sisterhoods. It is an old pattern of social work, for the most part being done very charmingly in the physical sense, in gracious surroundings and with kindness, but an understanding of the psychological and social needs of children and adolescence is often lacking. The sisterhoods, while devoted, are not versed in modern methods of child care, and the men who are in charge of the boys seem even less aware of the significance of the problems they must handle. In most instances there are too few teachers and even caretakers. In the shower-room at the far end of the babies' ward in one of the asylums visited, a large benign-looking sister was seen trying to bathe thirty or more naked babies—all of them at the age which had hardly acquired equilibrium; they were crying lustily, their little dark and light bodies leaning up against the Sister. The odds were against her kindness; several helpers were needed to do what she was trying to do alone.

The large asylums especially suffer through lack of classification of their small inmates. The board of the *Casa de Beneficencia y Maternidad* has recently undertaken to make separate provision for the subnormal and feeble-minded children in their care.⁶ Obvious examples of such defectives are to be found in many children's institutions, reformatories and hospitals, but there is little apparent recognition of their particular educational and custodial needs, or of the drag they are on their normal fellows. This is the more surprising when the advanced position of the medical profession in Cuba is considered. Of course, while the discovery and diagnosis of feeble-mindedness must come from the medical profession, once it is established it becomes an educational and social problem. Nevertheless no one can be more aware than the physician, of the significance of feeble-mindedness, or of what custodial care may mean in preventing its spread.

Another remediable weakness in the mass care given by the asylums is the tendency toward regimentation—the lack of recognition that a child is an individual, and only as such can unfold normally. The

⁶ There is a department of abnormal children (*Departamento de Niños Anormales*) at the Insane Asylum. The School of Pedagogy of the National University is reported to have a special class room for mentally deficient children.

dormitory of an asylum, however clean and attractive to the visitor, is no real substitute for a home. For example, in many of the institutions there is almost no provision, and sometimes none at all, for the child to have any small place of his own to put a few personal belongings. The situation was improved in those institutions where each bed was flanked by a little chest or bureau. In some, as a compromise provision, there were locker rooms where dolls and trinkets could be placed for safe-keeping, but only the Sisters had the key.

Recreational needs are seldom adequately met in these institutions, although with children living in large groups recreation must be subject to as much consideration as education. Such children have not the outlets for imaginative play and natural expression of personality that the child living in his own home and neighborhood possesses. Formal schooling itself stops often with the early primary grades, and, except for some particular type of production on which an institution may specialize, there is seldom adequate provision for training the children for later vocational independence.

The tendency in Cuba is still toward the congregate type of children's institution, caring for from 100 to 700 children. No cottage type of institution was seen. Yet the advantages to be anticipated from its introduction in Cuba are indicated by the standards set in a number of the smaller children's homes such as the *Asilo y Crèche del Vedado* and others in Havana, and the orphanage for girls in Santiago. While they represent an early stage in the evolution of care for the dependent child, they are good examples of their kind. The very sort of spirit which has gone into their upbuilding and maintenance, through the personal interest of boards of directors, represents energy and imagination which should be of great value in the future development of social work in Cuba. There is kindred promise in friendly visiting and giving of relief and medicine engaged in by lay members of the Society of St. Vincent de Paul (*Asociación Domiciliaria de San Vicente de Paul*) to be found in the larger cities.

Such a small institution, devised for a special group—the blind (*Escuela de Ciegos, Varona Suárez*)—was established seven years ago by a lay board in Havana.⁷ It is of a newer tradition and an effort has been made to make use of advanced techniques in training. This has resulted in a less institutional atmosphere and the treatment of pupils as individuals. There are only forty pupils in the school at the present time, although it is open to the blind from all parts of Cuba, and

⁷ A school for the deaf and dumb is located in Havana.

there is room for more. It is said to be difficult to persuade parents to give up their blind children to the institution, as there is no general understanding as yet of the possibilities of education for them. Also, in other types of families, the blind children are an asset for begging.

Once cash relief and family case work are inaugurated the pressure which now overcrowds the congregate institutions should be relieved, and it may be anticipated that many of them will in time become specialized institutions, each ministering to the needs of children suffering from some particular kind of malady or presenting peculiar behavior or training problems. A fresh example of such specialized work for children is being inaugurated under the name of *Patronato Nacional de Colonias Infantiles*. A group of women in Havana, under the leadership of the wife of the President, have opened a colony for undernourished children on the seashore. The place will be kept open the year round and health-building, schooling and recreation are to be included in the program. A hundred children can be taken care of at the start, and the project is especially hopeful since it is proposed to keep in touch with home conditions and see that the gains in health are not lost after the children's return.

3. *Delinquents*

The Commission has not made any comprehensive investigation of crime or of penal institutions. Although complete statistics are lacking,⁸ the percentage of criminality appears high. This is especially true in relation to crimes of violence. On December 31, 1932 the prison population of Cuba numbered 5,248, of whom 890 were serving sentences for acts resulting in loss of life and 149 for acts resulting in injury (*lesión*). In the same year the number of individuals found guilty by the courts was 13,956, of whom 1,412 were condemned for crimes against the person.⁹ These 13,956 were classified by age as follows:

from 13 to 17 years	....	..	1,161
" 18 " 20 "	... ..		2,874
" 21 " 30 "	... .		6,868
" 31 " 40 "	.....		2,434
Over 50 years	. . . . .		619

⁸ The most complete statistics are for the year 1913, published by Dr. Cristóbal de la Guardia, Secretary of Justice. The most recent published statistics are found in the 1932 report of the National Commission of Statistics and Economic Reforms.

⁹ Dr. la Guardia calculated in 1913 that Cuba occupied first place in crimes of violence among nations publishing statistics; second place was occupied by the United States. In 1914 the number of criminal deaths was 241 per 1,000,000 inhabitants. In 1915 this proportion increased to 266 per 1,000,000 inhabitants.

It is evident that Cuba is faced by a serious amount of juvenile crime. The small degree of criminality among Cuban women is worthy of notice. Dr. Israel Castellanos, on the basis of comparative study, concludes that feminine delinquency in Cuba is the lowest of all countries publishing criminal statistics.¹⁰ In 1932, out of the penal population of 5,248, only 127 were women.¹¹

Efforts have been made to create special institutions for juvenile delinquents. Here again the depression has increased the need for planning. The director of the municipal camp for the unemployed at *Casa Blanca* was concerned with the number of boys belonging to gangs led by older men who taught them to beg and steal. They lived in cellars and holes and when they returned to these shelters at night without bringing back as much as was expected, they were beaten. His stories recalled those told of this type of child exploitation in Paris by Victor Hugo, in London by Charles Dickens, and in New York by Jacob Riis. These cases afford a clue as to the stage from which Cuba must begin to build a new structure for child protection, in which juvenile courts and clinics, probation, specialized schools and a socialized criminal procedure will be factors. In this field, too, the Cuban tradition has been along institutional lines, but the two reformatories, one for boys and one for girls, mark an advance over the old practice of putting juveniles in prison. However, the boys' reformatory (*Reformatorio de Guanajay*) has long been neglected. With the exception of some new showers and toilets, very little physical change seems to have taken place since its establishment in an old army barracks. There is no proper recreational hall for the 246 boys. During a visit they were found sitting in stiff rows listening to a radio while guards stood over them. The barracks were dreary and fly-ridden and the children spent much of their time in the care of ignorant and poorly paid guards.

The *Reformatorio de Aldecoa*, caring for 240 girls, is in charge of the Sisters of Charity. The fine old Spanish architecture is in itself an improvement on the wooden army barracks of the boys' reformatory and there was a greater sense of both spiritual and physical well-

¹⁰ Israel Castellanos, *La Delincuencia femenina en Cuba* (Havana, 1929), p. 39.

¹¹ Among other aspects of criminality the proportion of suicides calls for attention. Studies have been made by J. Le Roy, *Estudio médico-legal del suicidio en Cuba durante el quinquenio 1902-1906*, and by Antonio Barreras, *El suicidio en la Habana en el año 1912*. According to Le Roy the suicide rate in Cuba was 2.2 annually per 100,000 inhabitants. Barreras noted a higher proportion of suicides among women than among men, and a lower frequency among the colored population than among the whites. There were 885 suicides in 1926; 838 in 1927; 898 in 1928; 1,017 in 1929; 1,132 in 1930; and 1,217 in 1931. Cf. Comisión Nacional de Estadística y Reformas Económicas, *Estadísticas, 1930, 1931, 1932*. Cf. p. 54.

being in the institution for girls. The nuns seemed able to make the budget of \$28,000 go a great deal further than that of their brother institution which was said to receive \$27,000 for practically the same number of boys. Cotton suits for commercial sale were being made on quite an extensive scale. The wisdom of giving the girls occupation and a chance to earn even the small amount they drew from this was evident, although such work in institutions, if it becomes extensive, may drag down wages in the regular market. The fact that forty girls who had been discharged from the institution had come back voluntarily and asked to live there because they preferred it to the struggle to get along outside indicated that they had had kindly treatment, and also perhaps that their training while in the institution had not fitted them very well for self-support. As these institutions are the only ones in the island for the care of juvenile delinquents, they must set a standard if similar work is inaugurated elsewhere. Since the work of both institutions is with problem children, the need for good personnel is particularly important if something more than just keeping troublesome boys and girls temporarily out of the community is to be accomplished. Here, as in other institutions, better child care would result if on the staff there were those who kept in touch with the child's home and followed his progress after discharge. A girl or boy may be committed for a very slight offense at the age of ten, and unless parents or guardians come for the child, must remain until the age of nineteen. Although the institution for girls is far superior to that for the boys, neither is qualified to handle the difficult task of preparing the delinquent boy or girl for his return to the community.

No attempt was made to appraise the police and penal system as a whole. Although there is a modern prison on the Isle of Pines, the *Castillo del Príncipe* in Havana is totally unsuited to house convicts, no less than the political prisoners of the revolutionary period. It was the scene of some of the worst brutality and neglect of the Machado régime; and today it is still used to incarcerate not only ordinary criminals, but former army officers, Communists, and other political prisoners whom the present administration regards as troublemakers.

A piece of work which seems of significance is the improvement during the last year in the one prison for women in Cuba. Under the Machado régime, many of the women students of the University believed to be revolutionary were sent there. The personal knowledge of conditions thus gained has led these women to attempt to change conditions affecting other women. After the revolution a woman direc-

tor was appointed for the prison. The government was fortunate not only in securing a young woman of integrity and intelligence, but one whose methods are instinctively those which years of practice and experience have proved to be both humane and wise in the treatment of prisoners. She brought not only a natural aptitude but a real devotion to her task and is a heartening example of the resources at hand ready to serve Cuba once a way is found and the needs are faced.

With this must go the story of how the Lyceum, a social and cultural club for women in Havana, has befriended and supported her work in the prison through the various political changes which have taken place during the last year. With each new political régime, there was danger of her displacement at the women's prison. To forestall this, the women of the Lyceum Club laid the situation before each new government asking that so good a director be allowed to remain. Only in this way has the work gone on uninterrupted and free from political interference. A non-political group of this kind can be of immense value in interpreting and protecting achievements which are of use to the community.

As things stand, the system for prevention and repression of crime in Cuba now lacks systematic organization and a definite social policy. Personnel specially trained for this function of social defense is urgently needed. The need is evident for a study of delinquency in all its aspects, to be carried through by a group of specially qualified people.¹² Such a body might outline for Cuba plans for an integral reorganization of its present system and frame a future policy which the state could follow in its fight against delinquency.

To draw together what has been said of the Cuban social institutions as a whole, the pressing need is to engender better community and household life, rather than provide institutional catch basins for human breakdown and wastage. The existing establishments, national and local, public and private, should be conceived of as parts of a whole, their service systematized, and plans laid to the end that all parts of the island will be adequately covered. In Havana an Anglo-American Community Chest has paved the way for a community chest for twenty-three private Cuban charities in the city. The basic need, however, is to recast and modernize the national and municipal divisions of sanitation and welfare.

Social institutions have played an important rôle in the develop-

¹² In a project for a Cuban criminal code formulated in 1926 the creation of a National Board for the Prevention and Repression of Delinquency was proposed, to be composed of judges, lawyers, physicians, anthropologists, teachers and social workers.

ment of Cuban society; social work should play an adventurous one in the reconstruction of the new Cuba. The opportunity lies ready to hand whether we turn to recreation, to housing, or to the other elementary wants of neighborhood and community life.

4. *Community Needs*

Among the well-to-do, luxury sports such as golf, tennis and yachting are highly developed. Jai-alai and baseball have long had a wide following, and in the latter sport Cuba has produced many first-class professional players. The Cubans are excellent swimmers, and the country supports a Central-American Olympic team. Cockfighting is, properly speaking, a means of gambling and has the passionate support of many in the absence of more creative diversion.

Some of the most effective work in developing the satisfying use of leisure time has been done by the Spanish cooperative societies. Membership in some of the leading societies not only secures the medical services for which they were founded but, notably in Havana, affords the use of very handsome large buildings for recreation. In the *Centro Asturiano*, for instance, there are not only the elaborate ball-rooms with their gleaming chandeliers, a restaurant, game and billiard rooms, but class rooms in which English, drawing, music, sewing, bookkeeping, stenography and typewriting are taught to members and their families without extra charge.

More telling, perhaps, than the buildings themselves is what membership has meant to a family living in two rooms in a tenement in one of the poorer sections of Havana. The daughters had learned both sewing and typewriting at their club, and shyly used the English which they also had learned there. Certificates of their brothers' accomplishments at the classes at the *quinta* were the chief decorations on their walls. The family's interests seemed to center around their club and because of it they did not have to live within the limits of their two rooms.

In speaking of the need for playgrounds and playground directors in Havana, a Cuban woman told of the children who congregated in a small park near her house. All day, she said, the children played at revolution. They lined up and paraded and shot each other with imaginary guns, dragged off the victims, only to start all over again. Those children needed some one with them who could bring them something new and fascinating to play, or to sing, or to dance. With thought and insight, this spirit to dramatize might well be used for

the joy and education of Cuban young people who need more than the American movies and Spanish plays now available.

Such beginnings in the direction of Western sports as the Stadium under construction at the University, and a model playground equipped by the Rotary Club at Camagüey, have a long way to go in engaging the gaming instinct that, from the capital to the meanest crossroads, finds expression in cockfighting and the omnipresent sale of lottery tickets.

Folk arts in Cuba with the exception of some Negro music, are not developed. At the present time the art schools in Havana and Santiago are turning out students who have no real chance to make a living, and yet there are no art teachers as such in the public schools. Art teachers might help to stir the creative impulse in others through work in the public schools and social institutions, not with the idea of making artists so much as making more interesting and adequate citizens. It is a waste of natural resources not to give the Cuban child every chance for a full development, and this will not be done unless the arts are brought within his reach.

Housing

On the low roof of the Municipal Art Museum of Santiago is found a reproduction of an old street. The wall of the next house has been made a background for old doorways and house fronts with their wooden and wrought iron grills, their door knockers and hanging lanterns and red-tiled eaves. The whole has been worked out with precision and charm. But the beauty of fine old architecture is not confined to museums in Cuba. It can be found in the streets of the early provincial cities as well as in many parts of Havana. There the new residence development in the suburbs has left many of the old houses to tenement use. Behind the beauty of the exteriors of these fine old dwellings where once one family lived, whole families now crowd into one room.¹³ On the whole the rooms seem amazingly clean, considering the difficulties under which cleanliness is attained—the overcrowding, water carried from a central hydrant, and common toilets in the courts. Approximately \$4 a month is paid for small back rooms, while \$20 may procure two or three light, pleasant ones. Rents seem very high in comparison with wage rates in Cuba. For example, in some sections of the lower east side in New York, a city where

¹³ The 1919 census reported an average of 7.6 persons in each house in the interior and of 11.6 for Havana.

land values have lifted rents beyond all reason, \$4 a month per room is an average paid against a much higher wage rate than in Havana.

In the country districts the tile-floored Spanish house, with its inner patio, has not taken extensive root. The typical peasant's house, or *bohío*, is thatched with palm leaf; and its walls are made from the sides of the royal palm. Generally the floor is of dirt, one end being used for cooking over a charcoal stove. While in its exterior form the *bohío* has lines of beauty, and while the thatched roof is durable and dry, the general condition within these dwellings leaves much to be desired. They are vividly described by a Cuban government official as follows:

"Our picturesque thatched hut, a legacy from the Ciboney Indian, presents the very image of backwardness and indigence. From the royal palm, so often acclaimed by our poets for the slenderness of its trunk and the majesty of its green branches, our peasants hastily construct a roof and walls for their homes and obtain for themselves the almost savage independence of the nomad who has no love for the land, who is always ready to pick up his tent at the first turn of fortune, knowing that he leaves nothing behind him that he fears to lose. Inside these rustic hovels a few stools, whole perhaps or broken, a few cots and hammocks, outside a barrel of water brought there by a pair of oxen from some unhealthy stream or pond, or from some surface well that overflows in times of rain—these things make up the comforts of the family. To complete the picture there are birds of every sort, and dogs and pigs, living in promiscuous intimacy with the people of the house, and a few children, dirty and unshod, playing on the dirt floor. Under such conditions of life it is not strange that our country children suffer from intestinal parasites which drain their vital energy, leave them an easy prey for countless diseases, and impede their normal growth and development."¹⁴

What is encouraging in the face of the desperate poverty prevailing in rural Cuba is that the Cuban country folk in many instances can rise above their environment when once they can get a footing. An illustration is a family of sixteen members on the Central Highway between Sancti Spiritus and Camagüey. They had moved into their place only two weeks before and had all the earmarks of settlers on the American prairies. In this short time flowers had been planted round the front door and an attempt made to make the house attractive. The whole family were cheerful and very hopeful of what they were going to be able to do. As the father expressed it, the land was so good that they "would be living divinely within a year." He had three sons who were working in the near-by mill and so some all-important cash income was assured, and they could help him on the

¹⁴ V. M. Peraza, *Informe sobre la Labor del Departamento de Propaganda de la Sección de Industria Animal* (1928), quoted in Secretaría de Agricultura, Comercio y Trabajo, República de Cuba, *Ponencia de la Comisión de Colonización y Reparto de Tierras*.

place. They had come from a district close at hand where they had sold their farm and were renting the thatched house and its surrounding acres for \$40 a year. They had brought pigs, chickens, oxen, ducks, cats and dogs with them. While the house was very primitive, the beds were clean and there was an effective attempt at decent living.

While much remains to be done to improve conditions in the cities, on the one hand, and in the countrysides on the other, the need in the small towns is even greater. Here there is neither the charm of the old Spanish architecture nor the quaintness of the *bohío* to relieve the squalor. Sometimes of stucco, sometimes of wood, small houses are built along streets often scarcely passable for mud. Indoors, in the poorer districts of the towns, one finds little more than is essential to life, very little else than rusty iron beds with broken springs and a primitive stove. Mud floors are frequent and in these small towns often the family has no garden to fall back on. The people in the rural areas need instruction to get the most out of their land but these small town people need even more to learn to utilize small plots of ground. They live huddled together, getting neither the benefits of city or country.

Look for a moment at a composite picture of four towns visited which may be considered a fair cross-section of adverse conditions, as two of them were in the older settled portions of the island, a third in the cattle country, with cowboys driving a herd through the streets, and the fourth, a one-street town, built up from the mud at a railway junction in the newer cane country to the east. For range, one had 12,000 inhabitants, another 4,000, a third 2,000 and the fourth 500. Only in the larger communities was there water supply, the smallest depending on rain water; and neither water nor sewage reached to the poorer streets anywhere. The one hospital in the largest town, with a budget for 20 patients, attempted to care for 40—a filthy place, with beds with broken springs, some of them without mattresses, and a dirty cage for the insane in transit. There were no hospital facilities in the other towns; in one, no doctor at all. The schools were less adequate than in the city districts, the meagerest accommodations being in the smallest town, its one room open three months in the year, with fifty children enrolled and sixty-five unprovided for as shown by a recent canvass.

There was no provision for poor relief in any of the towns. The smallest town of the group seemed about as miserable a community as one could find, but on its outskirts was an even more dilapidated

group of huts made of tin cans and other refuse, sheltering the ultimate poor of the place.

Altogether the resources in these communities were not such as to develop the oncoming generation, nor were there channels through which outside resources could be brought to bear.

5. *A Plan for Residence Houses*

The basic issues underlying Cuban problems both industrial and rural, arise out of land, labor and markets. There is much, however, that, given leadership, families and communities may achieve for themselves out of their own resources and efforts. The part that women have come to play in Cuban life makes one feel that they might give initiative to new forms of social service throughout the island. While the Commission was in Cuba, and pending the launching of any comprehensive plans for rural reconstruction by the Cuban government (such as are set forth in Chapter XVIII), a committee of women was formed in Havana to carry out a demonstration in bringing health and social services to bear on home and community conditions. The project consists of opening twelve residence houses in selected city neighborhoods, in small towns and in rural districts, a visiting nurse and a social worker to start in each center after a year's training in work of this kind in the United States.

The residence house is to include, beside living quarters, at least one large meeting room, a kitchen and space for a garden and playground. By means of such facilities, it will be possible to hold group meetings and arrange educational classes, including work in domestic science. A room might also be provided in which the visiting nurse could hold consultations.

As this development would involve pioneering, both the nurses should be trained in public health nursing, sanitation, bedside care, and the technique of working with families, health officers, clinics, hospitals, social and recreational agencies. In addition to experience in visiting nursing in the cities, they should go into the rural and mountain districts where nurses on horseback serve large areas.

The social workers should be trained in the rudiments of case work, family visiting, club leadership, recreation, home economics, adult education, etc. They should be in residence in city settlements to get the range of house activities and the neighborhood approach to civic problems and they should visit representative pieces of community work in rural areas.

Recommendation was made that in selection of localities for the residence houses two of the poorest districts of Havana and one in Santiago de Cuba be included in the initial plan as well as small towns from 500 to 5,000 in population and rural districts. Two points could be stressed in the Havana centers.

1. The students of the University, both men and women, could be drawn into the work with the people of these neighborhoods. They could lead boys' and girls' clubs, teach classes in adult education and make first-hand contacts with situations which confront working people. Some of the energy which has been aroused during the revolution and which needs new outlets might become a constructive force in the community through such a channel. Settlements throughout the world have engaged students' help and leadership.

2. How well the social and health resources of Havana are meeting the needs of the people could be studied from these centers. This kind of first-hand study through the Havana residence centers might well grow into a larger plan for enlisting volunteers and students to survey their own city.

The first step in such neighborhood work is an understanding between the workers and the people of the community in which they have come to live. Their activities should develop from this base. For the first few weeks the workers themselves will probably learn a great deal more from their neighbors than they will be able to teach them. As the most pressing problems are brought to their door and they help to meet them, they will begin to get a picture of the community needs. The man out of work, the family that has no food, the family that cannot pay its rent, the mother with a sick child, the mother who is having trouble to manage her children, children who are getting no education, the grown-ups who want to learn to read and write, the family with tuberculosis and in need of convalescent care and health teaching, the crippled child, the feeble-minded and insane, the helpless old, the young people who are just starting out in life and need guidance, working people who are up against injustices, all will come gradually for advice, for treatment and for help. Both the social worker and the nurse must expect to have every possible human problem brought to their door for solution as soon as it is known that they are friendly neighbors and are equipped with special technical knowledge. In some cases the neighborhood workers themselves will be able to answer the needs of the people who come to them. In others they will be able to bring existing community resources to their service,

seeing that they get the right clinic or hospital care, or are directed to anything else which the community offers which will fill their need. In still other cases the nurse and social worker will not be able to extend the aid that is required for those who come to them, nor will there be any community resources they can turn to. It is just here that their creative ability, force of character and intelligence will be most tested. The question will be, "How can they organize their community to answer its unmet needs?" Sometimes this may be done locally; sometimes it will have to be done nationally. Sometimes, perhaps through private initiative and help; sometimes through the government. Sometimes the creative energy of the people themselves may help to solve their own problems. It is the neighborhood workers' place to stimulate and focus action.

It is to be expected that the development in the different centers may work out variously, depending on the distinctive needs of the communities and somewhat on the bent of the leaders who are placed in the district.

Headquarters should be in one of the centers chosen for work in Havana and the visiting nurse and the social worker best equipped should supervise the whole project, frequently visiting the other centers. At the same time this headquarters group must be responsible for working out a scheme for training new workers so as to be prepared to staff the civic centers as they develop. For such training they might well call on the cooperation of the University and the leading training schools for nurses but the emphasis should be on field work which the centers themselves can offer. It will be seen that the conception of the residence house is not that of a new specialized institution but a coordinating center.

The visiting nurses and social workers would collaborate with the Extension Division of the Department of Agriculture, with the hospitals, clinics and physicians, the public officials, social institutions, co-operative societies, labor unions and clubs. They should not only help these organizations to serve the needs which are brought to them but they should interpret those needs to the community so that philanthropic institutions and public services may count for more.

CHAPTER VIII

SOCIAL UNREST AND THE LABOR MOVEMENT

A general strike initiated the train of events in August 1933 which led to the overthrow of the Machado dictatorship. There followed immediately a country-wide wave of labor unrest such as Cuba had never before seen, accompanied by aggressive agitation, the extension of labor organization, and the increasing prominence of Communist leadership. The strike movement affected not only the cities, but also the mass of agricultural sugar laborers, involving some 200,000 workers during August and September. At one time in the latter month, thirty-six sugar mills, representing 30 per cent of the island's production, were in the hands of the workers. Unrest continued to smolder and flare sporadically throughout the year and in March 1934 another general strike seriously threatened the government of President Mendieta. This widespread popular discontent clearly indicated the profound character of the Cuban revolution.

1. *The August General Strike*

The August strike movement, which was to usher in the revolution, began with a spontaneous walk-out of Havana bus drivers seeking limited economic ends. By the fifth of the month, however, it had become a powerful political offensive directed against the dictatorship. Commerce and industry joined forces with labor. All transportation was tied up—shipping, railroads, street-cars, omnibuses and taxicabs—both in Havana and throughout the island. Newspapers ceased publication. Factories, shops, department stores, theaters and motion picture houses were closed. Food deliveries were suspended. Waiters, bartenders and hotel employees walked out; garbage collectors quit. Telegraphers and mail carriers voted to strike. Havana took on the appearance of a beleaguered city. All efforts of the government to break the movement proved ineffectual. The stoppage, on a scale hitherto unprecedented in the island's history, seriously weakened the prestige of the administration and strengthened fear of intervention, thus leading to the army's revolt against Machado on August 11.

2. *The Strike Wave in the Sugar Mills*

With the fall of the Dictator the general strike came to an end, and the majority of the workers promptly returned to their jobs. Meanwhile, however, unrest was becoming general throughout the interior. Students, Communists and some members of the ABC were reported active in the task of labor organization. Strikes were spreading on the sugar plantations, the workers demanding higher wages, recognition of their unions and better living conditions. On August 21 the workers seized the first sugar mill—at Punta Alegre, in Camagüey Province. Within less than a month the number of mills under labor control was estimated at thirty-six. Soviets were reported to have been organized at Mabay, Jaronú, Senado, Santa Lucía and other *centrales*. At various points mill managers were held prisoners by the workers. Labor guards were formed, armed with clubs, sticks and a few revolvers, a red armband serving as uniform. Workers fraternized with the soldiers and police. During the first stage of the movement, demonstrations in Camagüey and Oriente were often headed by a worker, a peasant and a soldier. At some of the *centrales* in Santa Clara, Camagüey and Oriente Provinces, the workers occupied not only the mills, but also the company railroad systems, and extended their control to the sub-ports and the neighboring small towns and agricultural areas. Relief committees supplied food to the strikers and their families, and in some cases became subsistence commissions for the whole population of the strike area. At various points these committees allocated parcels of land to be cultivated by the field workers.

The wave of agitation and unrest touched almost all the mills and sugar zones, extending even to the most remote *centrales*. At the western end of the island, in Pinar del Río Province, the tobacco workers went on strike; in the eastern province of Oriente the laborers on the coffee plantations stopped work. In the same area the Bethlehem Steel mines at Daiquirí were closed down and in the hands of labor; unrest was reported in the manganese mines at Cristo, where twelve Americans were besieged. At Antilla a red flag flew from the top of the City Hall, and in Santiago a Communist demonstration caused the mayor and the provincial governor to flee their offices.

The strikers included young and old, whites and blacks, natives and foreigners. At many points the whole working population was drawn into the movement; the mill hands were joined by the field workers, by the employees in office and company store, even by the

inspectors and the company guards. The *colonos* formulated their own demands. In some *centrales* the cooks, laundresses, nurses and other house servants declared a strike and called for higher wages. Sympathetic support was given by small farmers, and by the merchants in neighboring towns. For a time the whole population seemed to have assumed an economic offensive.¹

During the latter half of September the strike wave began to recede, due in part to the concession by numerous *centrales* of the workers' principal demands. Many of the managers handled their labor difficulties with tact and intelligence and showed themselves ready to meet the workers half-way. At the same time the resistance of other employers stiffened, and it was alleged that a continuance of the strikes would bring on United States intervention. The government moved to check the unrest which was practically nullifying its control of large sections of the island. Troops were dispatched to various *centrales*, to eject "agitators" and return the mills to the management. Hundreds of labor leaders were arrested. Communist demonstrations were broken up at various points in the interior. On September 29 in Havana troops fired on a Communist manifestation honoring the ashes of Julio Antonio Mella,² the clash resulting in six dead and twenty-seven wounded. The headquarters of the National Confederation of Labor were raided, and its furniture and literature burned in the street. The Grau régime (which began its rule on September 10) was at the same time speeding a program of labor legislation and organizing the sentiment of nationalism to oppose the radical drive.

With the beginning of the sugar grinding season and the advent of the conservative Mendieta government on January 18, 1934, came a recrudescence of active unrest. During the previous week the Fourth National Labor Congress, dominated by the Communist-led National Confederation of Labor, had met in Havana with 3,000 delegates in attendance; and immediately following, the sugar workers, with delegates from 103 *centrales*, held their Third National Conference. The decisive test for the Mendieta régime came in March. On the 5th of that month Havana tobacco workers, who had been out for several weeks, protested when the government extended military protection

¹ *Resoluciones de la III conferencia nacional de obreros de la industria azucarera*, January 15-16, 1934 (Havana, Sindicato Nacional de Obreros de la Industria Azucarera), pp. 15-18. This source is hereafter cited as *Resoluciones*.

² His ashes had just been brought back from Mexico, where he was assassinated in 1929. Cf. p. 10.

to strike breakers engaged in loading cigars on steamers bound for New York. The dock laborers struck in sympathy, and their move was supported by telephone employees, newspaper men, truck and bus drivers, pharmacists, nurses and hospital employees, and finally by bakery, ice and milk delivery men. This movement, engineered by the National Confederation of Labor, involved approximately 200,000 workers, and for a time threatened the overthrow of the Mendieta régime. But the government mobilized its full resources against the danger, imprisoned many leaders, dissolved the unions, and made full use of the military. The backbone of the movement was broken, and this defeat registered a decided check to the "revolutionary ascent" of the radical drive.

A review of the events of this tumultuous year would not be complete without pointing out the distinction which must be drawn between the economic demands of labor for the 8-hour day, higher wages and better conditions, and the influence of the Communist movement, which sought to capitalize the existing discontent and channel it into the course of a sweeping revolution, political as well as economic in character. The existence of both these factors must be recognized. Given the terrible economic situation of the masses and the emotional forces whose accumulating strength had been denied effective outlet by the repression of the *Machadato*, a social explosion was inevitable. The Communist labor leaders found a highly inflammable popular temper, ready to burst into flame at the first spark of agitation. But they themselves admit that in the sugar strikes of August and September the work of organization "in general trailed behind the events which the struggle itself developed from day to day (the seizure of sugar mills, the attempts at creation of soviets, the arming of the proletariat)." ³ Despite the previous efforts of the National Confederation of Labor among the sugar workers,⁴ its leaders were obviously unprepared for such a vast upheaval. The official Resolutions of the Third National Conference of Workers in the Sugar Industry lament the failure to appreciate "the enormous transcendence of this movement." ⁵

Strikes broke out so rapidly "as to make difficult the sending of

³ *Resoluciones*, cited, p. 19.

⁴ Beginning with 1932 the Confederation gave its main attention to the campaign of organization among the sugar workers. On December 26 and 27 the first National Conference of Workers in the Sugar Industry was held, with delegates from 32 mills in attendance. This gathering resulted in the organization of the National Syndicate of Workers in the Sugar Industry.

⁵ *Resoluciones*, cited, p. 19.

permanent delegates, capable of orienting and directing the movement in each place. Notwithstanding, by means of rapid tours on the part of these delegates, by instructions to commissions of workers in the mills and *colonias*, by correspondence and every other means possible during the moments that the struggle included the largest number of strikers, strike committees subject to the SNOIA⁶ were everywhere created as the directing agencies for the struggle in each place, although at many points these committees, as was to be expected, were defective and committed errors and mistakes.”⁷

In contradistinction to the spontaneous character of the sugar strikes in August and September 1933, the general strike of March 1934 against the Mendieta government was more definitely a political movement. In the stoppages which it involved, according to claims of the Communist party, “the proletariat displayed a more profound class consciousness. . . . The Party directed almost all of them, organized them more carefully and impressed on them the character of political mass movements, directed not only against the fascist decree-laws and all reactionary measures, but also against the government of the counter-revolution.”⁸

In assessing causes for the unparalleled unrest and agitation which convulsed Cuba for almost a year, first place must be assigned to the progressive economic depression which had gripped the island since 1925 and plunged the masses into a state of poverty, distress and misery which is described elsewhere in this report. The rigid repression of labor activity during the Machado rule was a second factor of importance. When Machado came to office in May 1925 he lost no time in initiating a campaign against the aggressive tendencies of labor. He promptly suppressed a railroad strike on the ground that it would injure the sugar crop. The government informed employers that it would send police into the factories to arrest foreign agitators

⁶ The National Syndicate of Workers in the Sugar Industry, from the initials of the Spanish words forming its title.

⁷ *Resoluciones*, cited, p. 17. The amount of organization effected was amazing in view of the limited financial resources of the labor movement. But this lack was compensated for to a degree by the enthusiastic devotion of the organizers. Said one young Communist labor leader: “The Confederation needed little money because its organizers could ride free on the buses, most of which were run by comrades, and when they got to a town or *central*, the comrades there provided them with food and a place to sleep, and often had to give them a shirt or trousers. They were so poor they often arrived without a cent.” A member of the Student Left Wing testified: “I was in a certain *central* for three days during the strike there in November. I hid in a ruined hut by day, living off sugar cane juice, and only went out at night, to walk through miles of cane to distribute literature to the comrades.”

⁸ *Resolución sobre la situación actual, perspectivas y tareas. Resolución sobre organización*. II Congreso del Partido Comunista de Cuba, Havana, 1934, p. 8. This source is hereafter cited as *Resolución sobre la situación actual*.

who would be deported.⁹ Many unions were broken up, and hundreds of leaders arrested, a large number being deported. Other leaders were assassinated, among them Alfredo López, a printer, who had been secretary of the Havana Federation and one of the founders of the Confederation.¹⁰ The National Confederation of Labor and the Havana Federation were ordered to dissolve, and were thus forced to work underground.

During the Machado régime the Cuban Federation of Labor, purporting to be a national organization of Right-Wing workers, came into prominence.¹¹ It was affiliated through the Pan-American Federation of Labor with the A. F. of L. in the United States. But the organization was widely suspected due to the belief that it was supported by the dictatorship, and it has now entirely disappeared.¹²

With the fall of the Dictator, the labor movement again sprang into such vigorous life as to give externally the impression of a powerful and united force. Internally, however, it has been the victim of confusion and disorganization, the prey of conflicting tendencies, the scene of shifting change. Cuba's 800 to 1,000 labor organizations, which are scattered from one end of the island to the other, differ widely in character and aims, ranging from conservative mutual-benefit societies to the most advanced types of industrial unions. Desirable as a neat diagram of their principal alignments would be, it is impossible to present an orderly picture of a situation which can most nearly be likened to a patchwork quilt, many of whose pieces, moreover, are continually shifting position and changing color. Roughly, however, Cuba's heterogeneous array of labor groups may

⁹ One employer testified to the Commission: "I did not want the police to come into my factory, so I sent the workers to trucks outside; these the police surrounded and the men were deported."

¹⁰ Following the fall of Machado, Lopez' body was found buried under a tree on the slopes of the hill crowned by Atarés Castle, a spot where many opponents of the dictatorship were killed. *Diario de la Marina*, August 24, 26, 1933. For a review of the early development of the Cuban labor movement, and a detailed picture of its situation at the time of the first American occupation, cf. Victor S. Clark "Labor Conditions in Cuba," *Bulletin of the Department of Labor*, No. 41 (July 1902), p. 663-793.

¹¹ On December 31, 1928 it claimed a membership of 40,406, of which 11,935 were port and maritime workers, 5,103 sugar workers and 3,907 metal workers. In addition thirty-two local unions had 15,866 members, among whom industrial workers, carpenters and masons constituted the largest groups. The Railroad Brotherhood with 12,780 members was independent. Cf. International Labor Office, *Industrial and Labor Information*, Vol. 33, p. 146 (February 3, 1930), and Vol. 40, p. 92 (October 19, 1931).

¹² After the 1929 convention of the A. F. of L. had adopted a resolution calling for an official United States government investigation of conditions in Cuba, the presidents of the Cuban Federation of Labor and of the Railway Brotherhood, both of which were affiliated with the Pan-American Federation of Labor, sent messages to William Green stating that Machado was the workers' friend and was doing his best to better their condition. Cf. *American Labor Year Book* (New York, Rand School Press, 1930), p. 228, 229.

be said to fall into two main divisions. On the right stand the older craft unions, often local in character, made up largely of artisans and dominated by a trade union or diluted anarcho-syndicalist philosophy.¹³ On the left are found the newer unions which are attempting to build mass organizations, and are linked together in the Communist-led National Confederation of Labor.

Among the Right-Wing workers, the most important group is that of the Railway Brotherhood, with 15,000 to 20,000 members. These men are predominantly conservative and, as in the United States and Mexico, they constitute the aristocracy of organized labor. This moderate division of Cuban workers includes also many individual unions among the tobacco and port workers, retail clerks, and artisans such as carpenters, masons and barbers. No national organization, however, binds these groups together, and they consequently lack unified force. Provincial federations exist, as in Pinar del Río; and in July 1934 a movement for a national federation "which would not admit radical tendencies imported from foreign countries" was launched by a group of Santiago unions. Its program is of interest as evidencing the ideals of the more conservative wing of Cuban labor. It calls for the socialization of wealth, and especially of land in so far as this is necessary to break up large holdings; nationalization of public utilities; profit-sharing on the part of the workers; a minimum wage; social insurance for old age, accidents, maternity and unemployment; the right to organize and strike; compulsory arbitration for industrial disputes; and preference for Cuban over foreign workers.¹⁴

In the second main division of Cuban labor, the Left Wing or radical section, the National Confederation of Labor holds a position of leadership.¹⁵ When organized in 1925 it claimed to represent 200,000 workers. At the Fourth National Labor Congress, held in January 1934, delegates of some 200 syndicates and labor associations comprising 431,000 workers were reported in attendance. Leaders of the Confederation, however, admit that this total is exaggerated and

¹³ Among its doctrines the distrust of political activity particularly influenced Cuban leaders. But the terrorism associated with the anarcho-syndicalist groups of Spain has in general been absent in the Cuban movement.

¹⁴ *Diario de la Marina*, July 24, 1934.

¹⁵ Known as the CNOC, from the initials of its Spanish name. It was born at a national labor congress in Camagüey, promoted by leaders of the older Havana Federation of Labor. For a time the two organizations were closely allied. During the Machado régime, however, the Confederation came under the control of orthodox Communists, while various leaders of the Federation inclined toward sympathy with the Trotzky wing. A split finally developed, and the Trotzky leaders organized the *Partido Bolchevique Leninista*, affiliated with the Fourth International. The principal unions controlled by the Federation are those of the retail clerks, the bakers and the hat makers.

that 300,000 would probably represent a more exact estimate of its affiliated forces. Even this figure is undoubtedly excessive; the membership of most unions fluctuates widely, and the total given on paper is often several times larger than the number of active members. In the fall of 1933, however, the Confederation was at the zenith of its power. It held the leadership of the sugar unions, claiming 100,000 members, wielded extensive influence among the port and tobacco workers, dominated the textile and transport industries (save the railroads and street-car workers), and controlled many individual unions in mines and manufacturing plants. But subsequently it has decidedly lost ground, due not only to the general improvement in the economic situation and the effects of the nationalist legislation of the Grau régime, but also to the feeling among many sections of labor that the Communist leadership of the Confederation has often sacrificed the possibility of immediate gains in efforts to hasten the coming of the "revolution." The organization has included within its ranks many labor groups which do not profess Communist ideas, but align themselves with the Confederation for reasons of strategy. Even in unions nominally considered Communist, only a small fraction may be composed of members of the party.

A review of the situation in Cuba's basic industries may serve to give both a more definite idea of the Confederation's strength and also a clearer picture of labor's present internal struggle. The largest group allied with the Confederation is the National Syndicate of Workers in the Sugar Industry, which claimed 100,000 members in January 1934.¹⁶ But since that date many of its unions have been suppressed, while others have become inactive or been transformed into local or company unions. Some of the unions in the syndicate, moreover, are controlled by anarchists and Trotzky Communists. Among the workers in tobacco, Cuba's second industry, the most important labor organization is the National Federation of Cigarmakers.¹⁷ This group has for some years been a battleground for Communist and non-Communist leaders; the former for a time almost secured control, but recently the moderate elements have recovered the leading position in the organization, and it is independent of the Confederation. In the Santa Clara tobacco unions the same struggle has been in

¹⁶ The sugar industry is strategic, not only because it includes the largest group of workers on the island, but also because its organization into large *centrales* has scattered industrial nuclei throughout the agricultural sections of the country.

¹⁷ The tobacco workers customarily employ a "reader" who reads aloud to them as they work—newspapers, novels, and sometimes more serious books. They are regarded as among the most intelligent of Cuban labor.

progress, with recent shifts favoring the moderates. Among the port workers of Havana the situation is similarly confused; Communist elements are numerous and the Bay Federation, which includes the most important unions, is generally credited with Communist leanings, yet the Confederation has been unable to establish a secure control of this group.

The transport industry is claimed by the Confederation as one of its strongest sectors. Among railway workers its direct influence is confined principally to employees of the Cuba Northern Railroad; Havana street-car workers have also refused to follow its leadership. But through the National Syndicate of Transport Workers it has controlled the omnibus lines in Havana and those operating on the routes converging on the capital.¹⁸ In the rest of the country, however, its influence is weak and the CNOC Syndicate is opposed by the National Federation of Chauffeurs, which enlists the taxi-cab drivers in the most important cities of the country.

The port workers may be cited as an example of the "spotty" distribution of these conflicting tendencies throughout the island. In Havana, as has been stated, the Federation of Port Workers is Communist in its sympathies; in Santiago, on the other hand, the port workers are conservative; in Manzanillo, nearby on the south coast, the same workers are openly Communist, while in Antilla, on the northern coast of the same province, they are divided among three unions, red, pink and "yellow."¹⁹ In Cienfuegos again, they are definitely anti-red and conservative.²⁰

For another close-up of the divided state within the ranks of labor, we may take the railroad workers in Camagüey. Numbering approximately 2,000, they are split five ways. First, there is the Railroad Brotherhood, the oldest and most conservative group; second, the shop-workers' organization, *La Unión*, which is "pink"; third, the Syndicate of Office Employees, which is radical; fourth, the Associa-

¹⁸ On July 30th the *Asociación de propietarios de ómnibus aliados* announced that eleven routes in Havana were withdrawing from the CNOC transport syndicate, thus weakening the control of the Confederation in that field. The alleged reason for the move was the excessive number of strikes which had been called by the syndicate. Cf. *Diario de la Marina*, July 31, 1934.

¹⁹ I.e., radical, liberal and moderate.

²⁰ The president of the Maritime Federation there stated in an interview: "A delegation of reds came here last year telling us that our plan of organization was out of date and we should organize along new lines. We should come over to them and learn. But I told them that I had had twenty-four years' experience and they were just starting, and so they had better come over and take lessons from us. They wanted to break into our unions, but we kept them out. We have not had a strike since 1908. When we want anything, we go direct to the employers and talk things over."

tion of Office Employees, which is Right-Wing; and finally, there is the Federation of United Workers, made up chiefly of Spaniards, and organized as a counter-group to the Brotherhood, whose leaders are Cubans and favorable to the 50 per cent law.

3. *The National Confederation of Labor*

Amid the confusion and strife which characterize Cuban labor today, the National Confederation of Labor stands out as the most powerful and aggressive group, and as the only organization really national in scope. It accordingly calls for some special attention. The new constitution of the Confederation, approved at the January 1934 Labor Congress, is drawn to place labor organization on an industrial rather than a craft basis. The fundamental unit is the factory section. This is composed of all the union members working in any one factory, shop, sugar mill, plantation or other unit. Assembled in the shop meeting, they constitute the supreme organism of the section and name the executive committee.

These factory sections are the units in two types of organization. Vertically, they are to be linked together in national industrial syndicates, one for each of twenty-seven major industries. To date fully organized national syndicates exist only among the sugar and transport workers. The same type of grouping has also been initiated among the printers, the needle and the textile workers, employees of food factories, the clerks and the teachers. Among other national syndicates whose organization still remains on paper are those for the railroads, the port and maritime workers, the agricultural workers (outside of sugar and tobacco), the miners, the metal trades, construction workers and domestic servants.

Horizontally, the factory sections are to be grouped on a territorial basis into Regional Labor Federations, comprising all the labor organizations in a city and its surrounding agricultural area. Although the new constitution calls for the establishment of fifty-one of these federations, active organizations at present are limited to Havana, Manzanillo and Santiago, where federations have existed for some time, and to the newly formed federations at Santa Clara, Cienfuegos, Camajuaní, Camagüey, Holguín and Guantánamo.

The supreme authority in the CNOC is the National Congress, composed of delegates representing the national industrial syndicates, regional federations, local and regional syndicates, factory sections,

and "revolutionary oppositions." It appoints a Confederated Executive Committee of forty-one members, which in turn may delegate active executive functions to its Bureau (constituted of members resident in Havana) or a smaller executive board. The Confederation has the following officers: Secretary-General, Secretary of Finance, Secretary of Education and Propaganda, Secretary of Minutes and Correspondence, Secretary for Youth, Secretary for Women Workers, and Secretary for Negroes.

To extend the membership and effective influence of the CNOC, two types of agencies are employed: "revolutionary oppositions," and "united front organs." In unions not affiliated with the CNOC, which may be under "reformist" or company control, "revolutionary oppositions" are to be formed, composed of those CNOC partisans who are members of these unions. The "oppositions" are to bore from within, seek to capture these unions and to align them with the Confederation.²¹ The "united front," to be built not from the top down but from the bottom up (and the distinction is important in labor tactics), does not signify a union with the leaders of non-radical labor groups, but rather united action with the mass of workers in any factory or industry, whether organized or unorganized and whatever their economic or political views. This action is designed to secure certain specific demands, the theory being that the confidence of the masses of workers can only be gained by rendering effective aid toward the achievement of practical objectives. Factory committees, charged with the daily defense of the workers' interests, campaign committees organized to prepare for a specific struggle, strike committees, strike pickets, and relief committees represent varying types of these united front agencies.²²

The program of the Confederation is based on the Marxist doctrines that a fundamental antagonism exists between the owning and the laboring classes, and that the latter must struggle to secure control of the means of production, and through the dictatorship of the proletariat establish a socialist state. The Confederation maintains the principle of the class struggle and states in its Declaration of Principles that the organization strives "for the Immediate Demands of the proletariat,

²¹ "Oppositions" already functioning include the "Pro-Unity Group" in the Railroad Brotherhood, the "Pro CNOC Policy Group" in the clerks' union, which acquired a certain degree of influence during the Woolworth strike, the "Tramway Labor Union" among the street-car workers, and the "Gastronomic Union" among the cooks, waiters and bartenders.

²² For text of constitution and detailed information on the organization of the National Confederation of Labor, cf. *Resoluciones y acuerdos sobre la estructura orgánica de la CNOC*, IV Congreso Nacional Obrero de Unidad Sindical (Havana 1934).

both industrial and agricultural, which tend to its material, social and cultural betterment; it establishes an alliance during the struggle with the peasantry, the needy masses of the cities and the oppressed Negro nationality; it struggles against imperialist wars and colonial oppression and proposes as the Final Objective of the struggle the revolutionary overturn of the bourgeois-feudal-imperialist régime, in order to emancipate the oppressed people and proletariat of Cuba as a class internationally exploited." The CNOC is affiliated with the Latin-American Syndical Confederation, whose headquarters are at Montevideo, and adheres "in principle" to the Third International. It is to "maintain close fraternal relations" and send delegates to the congresses of the revolutionary labor movements in all countries, but especially to those of the Trade Union Unity League of the United States.²³

The type of immediate gains sought for labor by the CNOC and its subsidiary unions may be illustrated by demands elaborated by the Third National Conference of Workers in the Sugar Industry. These included the 8-hour day for agricultural as well as mill workers, a minimum wage of \$1 a day for all types of labor, payment by fixed wages rather than by piece work and in cash instead of tickets or *vales*, double pay for extra work and immediate payment of all back wages. Other demands related to services desired by the workers, such as free house, light and water throughout the year for both employed and unemployed, services of a physician, infirmary and hospital, with special facilities for maternity cases, schools and free school breakfasts for the children. The monopoly of the company stores was to be ended. In addition labor organization was to be forwarded by recognition of the union, union control of hiring and firing, guarantee of the rights to organize and to strike and of free press and assembly, and immediate withdrawal of the Rural Guard from the mills, plantations and cane villages.²⁴

Linked with the attainment of these immediate demands may be the seizure of sugar mills, for which instructions read as follows: "The seizure of sugar mills by the workers should not be limited to the occupation of the factories in order 'to safeguard and care for

²³ Cf. *ibid.*, p. 103-115. In the United States the Trade Union Unity League represents the "Stalinist" group, headed by William Z. Foster.

²⁴ Cf. *Resoluciones*, cited, p. 5, 6. Among these demands, first place is given to the 8-hour day, since this gain was interpreted as signifying not only an enormous improvement in the condition of those at work, but also promising to give employment to 100,000 additional laborers, thus relieving unemployment and furnishing an effective weapon against the propaganda for an 80 per cent law.

them'; this act is a revolutionary measure, and should be accorded its true content. A. It should be accompanied by the seizure of lands to be distributed among the unemployed and the agricultural workers, who are condemned to the most terrible misery by the prolongation of the strike. B. Action should be taken to confiscate the sugar and everything else in the mill and in the commercial department which might serve to relieve and maintain the strikers and their families, without destroying either partially or totally the factory or the technical bases for production."²⁵

The economic struggle for concrete and immediate demands of the workers is to be linked to larger political questions. Strikes are to be used as a means for mobilizing and incorporating into the revolutionary labor movement the broad working masses. The latter must be shown "the necessity of waging decisive battles for power, and how to link each movement with the general struggle, orienting the movement in its entirety toward those more elevated objectives." The whole campaign must be directed toward the "liberation of the working class," through the agrarian and anti-imperialist revolution, and the establishment of the workers' and peasants' government.²⁶

The program of the CNOC calls for special attention to four groups: the unemployed, the Negroes, women workers and youth. It is recognized that, save for certain sporadic demonstrations and hunger marches, work among the unemployed has been neglected. According to the program outlined, syndical sections must be organized among them, whose members shall have the same rights and duties as members of other unions, but shall be exempt from the payment of dues. Both immediate relief and unemployment insurance are declared to be needed. For the agricultural workers, small plots should be made available rent-free, with seed and tools furnished by employers and the municipalities.²⁷

Negroes may belong to all constituent unions of the CNOC with the same rights and duties as whites, "but to defend their specific interests as workers of an oppressed nationality, and with the end of facilitating their organization,"²⁸ special Negro departments are to be organized. It is demanded that they be granted equality in wages and working conditions, that all discrimination and segregation be

²⁵ *Ibid.*, p. 30. The relative absence of damage to the *centrales* while in the hands of the workers during the fall of 1933 is a tribute both to the discipline of labor and the skill and tact of the managers.

²⁶ *Resoluciones y acuerdos*, cited, p. 18; and *Resoluciones*, cited, p. 7.

²⁷ Cf. *Resoluciones y acuerdos*, cited, p. 59-61; and *Resoluciones*, cited, p. 6.

²⁸ *Resoluciones y acuerdos*, cited, p. 113; also p. 69-75.

ended, and the principle established that in hiring groups of workers at least one-half must be Negroes.

Women, it is demanded, must be given a larger place in labor organization and elected to important offices. Despite the fact that women's unions among the tobacco strippers and the needle workers have played an active and effective part in strikes, labor in general, the Confederation alleges, has accorded women only a subordinate status. The cigar-makers' union, a "reformist" organization, is cited as permitting the organization of the women tobacco strippers only on condition that they accept a male adviser.²⁹ Youth, it is stated, has been similarly neglected, although in the textile industry, for example, young workers are in the majority. The 1925 Labor Congress is criticized for its silence concerning the status of the apprentice and the general condition of the younger element in the workers' ranks. The demand is made that this situation be ended, and youth departments organized in the factory sections with activities specially designed to attract the young workers.³⁰

4. *The Strength of Communism*

Reference has already been made to Communist influence in the National Confederation of Labor. A resolution approved by the last congress of the Confederation assigned to the Communists entire credit for the reconstruction of the organization when they assumed its leadership during the Machado repression and argued that no attempt must be made to conceal "the close relationship with the Communist party."³¹ The two have practically an interlocking directorate, and Communist influence is evident both in much of the literature and in the actual policies of the Confederation.

But what is the status of the party itself? Communist influence entered Cuba shortly after the Russian revolution, and in 1920 a labor congress in Havana sent "a fraternal greeting to the Socialist Soviet Republic." But not until 1925 was the Cuban Communist party organized, Julio Antonio Mella being its first secretary. During succeeding years its growth was slow and in 1929 its ranks were still limited to a few hundred members, resident in Havana and in the interior towns of Cárdenas, Cienfuegos and Manzanillo. Although predominantly composed of workers, its members were in great part foreigners,

²⁹ *Ibid.*, pp. 77, 78, 98.

³⁰ *Ibid.*, pp. 28-35, 97, 98.

³¹ *Ibid.*, p. 100.

and were located in the light industries rather than in the fundamental sectors of Cuban economic life.

Dating, however, from the end of 1931, the party decisively shifted its policy and in an attempt to enlist mass support initiated a systematic endeavor to penetrate the basic divisions of the working class, particularly the sugar workers. From the 1932 *zafra* on, these efforts began to show results. The membership increased, it is claimed, from some 350 to 3,000 at the beginning of 1933 and to more than 6,000 in April 1934. Other gains accompanied this advance. The party extended its organization to the whole country, establishing groups in the principal centers of all the provinces except Pinar del Río. It penetrated into the basic industries of the island—sugar, tobacco and urban transport—and to a lesser degree among the railroad, port and telephone workers. Its internal organization was reconstructed, cells organized by factories or plantations being substituted for those organized by crafts or syndicates. It “purified” its files by expelling the opposition wing, supporting Trotsky policies. It created the Juvenile Communist League claiming several thousand members. It maintained and re-enforced its control of the Confederation of Labor, organized and extended the SNOIA, and other national industrial syndicates, and organized the Cuban branches of the Anti-Imperialist League and of International Labor Defense.³²

Allied with the party are several subsidiary organizations. The Student Left Wing has a branch in the national University with about 300 members, and is also reported to have enlisted a large proportion of the students in the Havana Institute, the Havana Normal School, the two technical schools at Rancho Boyeros, and in several of the provincial *Institutos* and Normal Schools. The Juvenile Communist League claims 3,500 members ranging in age from 16 to 18.³³ It is organized by sections in factories, shops, stores, schools and also by geographical groups. Its members are entrusted with the responsibility for teaching Marxism to the League of Pioneers, an embryo movement for children in the primary schools. The Radical Women's Union forms the feminist wing of the Communist movement. The Anti-Imperialist League, with an estimated membership of 5,000, links with party members and sympathizers “bourgeois” elements who are opposed to imperialism. The International Labor Defense has responsibility for defending by legal aid, delegations to the authorities, street

³² *Resolución sobre la situación actual*, cited, pp. 9, 10, 22-24.

³³ Cf. *Juventud Comunista* (Havana), July-August 1934, p. 19.

demonstrations and general propaganda, comrades who have been arrested, imprisoned or are in other difficulties. International Workers' Relief functions to raise funds for strikers.³⁴

The Second Congress of the party, held in April 1934, pointed out that despite the advances achieved growth in membership had not measured up to the great possibilities presented by the strike movement of 1933-1934. Many of the gains registered had been only temporary in character. In Oriente Province, where 1,300 members are listed, the workers at various sugar mills entered the party *en masse*, 300 new members being added at one *central* alone. But a few months afterward these hundreds of members had "evaporated," and only dozens were left. In Camagüey Province, after a marked increase in membership following the sugar strikes, a decline ensued leaving in almost all the large mills only isolated members instead of functioning cells. In Santa Clara Province, despite the growth during the 1932 sugar harvest, the permanent membership has remained stationary. On the island's railroads the party claims some 250 members, but they are so scattered that only one or two cells maintain an active life.

At its second congress the party outlined an aggressive program for the future, directed toward securing the adherence of the majority of the working class. The labor unions are considered as essential instruments in achieving this end; they are to function as "transmission belts" to carry over Communist ideas and policies to the masses. Control of union activities is to be exercised through "fractions," made up of the party members in each syndicate and federation. These fractions are to direct union policy not by monopolizing official posts, but rather through the influence which skill, intelligence and devotion to the workers' welfare may win them.³⁵ Special attention must be given to the workers in the strategic industries—sugar, tobacco, railroads, ports, gas, electricity, telegraphs and telephones.

The program also calls for attention to other groups. Among the peasants, where the party has little strength, the struggle for the seizure and distribution of the large land holdings should be carried

³⁴ The Communists have also cooperated in the organization of a Committee for the Rights of the Negro, which investigated the Trinidad riots. Cf. pp. 32, 34.

³⁵ For a discussion of the theoretical rôle of these fractions in union activities, cf. *Los partidos comunistas de América del sur y el caribe y el movimiento revolucionario* (Barcelona, Publicaciones "Edeya," Apartado 1149), pp. 51-59. In Cuba it is admitted that the work of these fractions is embryonic; "they either do not exist at all or they do not function regularly." *Resolución sobre la situación actual*, cited, p. 29.

forward. The unemployed must be mobilized; and propaganda carried on in the army, navy and police.³⁶ The Negro masses should be drawn into the struggle and organized to demand economic, political and social equality, and the right of self-determination in the black belt of Oriente Province.³⁷ The party also declares itself ready to enter the political campaign for the elections to the Constitutional Convention, using this activity to forward its propaganda and convince the masses that the only solution for Cuba's problems is the "agrarian and anti-imperialist revolution."³⁸

To what extent Communism will be able to carry out this program depends on two main factors: the internal strength of the movement, and the social and economic situation in which it operates. The party has been generally fortunate in its leaders, who have in many cases been men of intelligence, magnetism and integrity. It has won the support of some of Cuba's outstanding intellectuals, and of a growing group of younger teachers, writers and professional people. Many of its members belong in that small minority of Cubans who have a real "religion," in the sense of an absorbing devotion which orients their whole life activity. This makes for a unity and an assurance which stand out in a society confused and disorganized, where almost every group is riven by schisms of personal ambition. "The small band of Communists," one shrewd journalist testified, "is the only group in the country with discipline, unity and energy." But this spirit of confident dogmatism may represent a handicap as well as an asset. Its tendency to develop a sectarian attitude, disdainful of other points of view, has probably been an important factor in the decline of

³⁶ For details of these activities, cf. *Juventud Comunista*, cited, pp. 27-29.

³⁷ Cf. *Resolución sobre la situación actual*, cited, p. 19. Concrete struggles are recommended for the right of the Negroes "to occupy any job in factories, offices or stores, to be members of the *quintas*, to be admitted to all hotels, theatres, moving picture houses, parks, etc."

³⁸ This has as its purpose "the national liberation of Cuba from the imperialist and agrarian yoke," and will signify cancellation of the foreign debt, confiscation and nationalization of all agencies of economic control now in foreign hands (corporations, railroads, mines, sugar mills, banks, etc.), confiscation and nationalization of the large landholdings for distribution among the peasants, agricultural workers and soldiers, and reduction of taxes for the peasants and small bourgeoisie. Through this agrarian and anti-imperialist revolution, it is alleged, the proletariat will secure the cooperation of the peasants and the small urban bourgeoisie, without whose aid it would be impossible for the proletariat alone to overthrow the power of imperialism, the landlords and the large bourgeoisie. The revolution will establish, not the socialist dictatorship of the proletariat, but the "revolutionary and democratic dictatorship of the proletariat and the peasants," which will exercise its power through a system of soviets. The final step, according to the program, will be for the proletariat, with the support of the poor peasants and "semi-proletarian elements," to transform this revolution into full-blown socialism, neutralizing the small bourgeoisie and destroying the resistance of the large bourgeoisie. (Cf. J. A. Guerra, "Trotzkismo es Contra-revolución," *Masas* (Havana), June 1934.)

Communist influence among labor groups during the last few months.³⁹

The larger influence of the Communist movement, however, has been exercised not so much through the few thousand members who accept the party's rigid discipline, as through the hundreds of thousands who sympathize more or less clearly with Communist ideas and aims. These have welcomed communism as a redeeming force which might lead them out of the wilderness of poverty and distress which Cuba had become.

Should the sugar industry experience a relative revival of prosperity, should a program of agricultural reconstruction result in the return of the land to the people and relieve to a considerable degree the burden of unemployment, the interest of these sympathizers would inevitably cool and the influence of the Communists be sharply curtailed. The statement repeated by scores of informants to the Commission has a certain truth: "There is no communism in Cuba, only hunger."

Cuba's international position is also a serious obstacle to the large-scale success of communism. Dependent as the island is on the United States for its principal market, it is difficult to conceive the triumph of communism in Cuba as long as the United States retains the capitalist system. The Trotsky supporters in Cuba admit the strength of this thesis, but it is resolutely rejected by the orthodox "Stalinites," who deny that the revolution in the island must wait until a similar revolution has swept the United States.⁴⁰ The arguments of the latter are more ingenious than convincing, and offer small hope that the leaders of a possible Communist Cuba could escape, more successfully than those of other régimes, the baffling limitations placed on the develop-

³⁹ The party frankly admits the presence of sectarian tendencies. "The opinion that the Party should be a closed rather than a mass organization has become a very dangerous manifestation, acquiring particular gravity in certain places like Cascorro, for example, where sectarianism has found its expression in the 'theory' that 'the fewer members the Party has, the better it works,' or in Coliseo, Matanzas Province, where the comrades say that 'to work well the Party should not have more than thirty members in a place.'" Cf. *Resolución sobre la situación actual*, cited, p. 25.

⁴⁰ According to their thesis, the Cuban revolution could count on the support of the "workers and peasants" in the whole American continent, including the United States. The influence of Japanese and British imperialism, the leading rivals of American imperialism, would be thrown against United States intervention in the island. It is argued, moreover, that the United States might be appeased by Cuba's grant of certain concessions to American nationals. In the event of a possible economic blockade from the outside, Cuban internal economy could be strengthened by increasing production of certain essential food articles, such as rice, potatoes and beans. Furthermore, the stimulation of trade with the Soviet Union would permit the exchange of sugar for wheat, petroleum, machinery and other products. (Cf. *ibid.*, pp. 14, 15.)

ment of domestic policies by the island's intimate relation to its more powerful northern neighbor.

In short, the conditioning influences, both national and international, which surround Cuban communism suggest that it may become a major factor only if the forces of nationalism and capitalism permit the Cuban masses to fall into a state of desperation similar to that prevailing before the fall of Machado. Even then its rôle might be limited chiefly to destruction. It could bring Cuba to chaos but, lacking the independence of relative isolation which communism has enjoyed in Russia, it would have neither time nor opportunity to enter on a constructive phase.

CHAPTER IX

THE GOVERNMENT AND THE LABOR QUESTION

1. *Attempts to Crush Unrest*

During the first weeks following the fall of Machado, the struggle of the workers to better their lot met with general sympathy. Official circles in both the Céspedes administration and the Grau régime looked with apparent favor on the efforts of labor. But the rapid spread of the strike movement, the aggressive actions of the workers, the growing influence of the Communists, and the implied threats to foreign lives and property awakened apprehension. This apprehension, joined with the increasing resistance of the sugar companies and other employers, led to a change in the attitude of the Cuban authorities, who moved to check the mounting wave of discontent.

In addition to the direct repression mentioned in the preceding chapter, legislation was brought into play to smother unrest. The Grau government issued a decree on November 7, 1933 on labor organization¹ which guaranteed the right to organize to workers of all types—except government employees, the army and police—but prohibited strikes without prior submission of demands to a government system of arbitral boards whose decisions were binding in character.² All unions were required to register in the Ministry of Labor³ and those failing to do so might be dissolved; delegates of the Ministry were also given the right to attend union meetings. All union officials were required to be Cuban citizens.⁴

¹ *Gaceta Oficial*, November 13, 1933, Decree No. 2605.

² Under this legislation strikes were only permissible apparently when the arbitral boards had ruled against the employers, or when they were called in "support of legitimate strikes decreed by other syndicates."

³ Established on October 13, 1933 (*Gaceta Oficial*, October 16, 1933, Decree No. 2142). Decree No. 2355 (*Gaceta Oficial*, October 26, 1933) subsequently defined the jurisdiction of the new department.

⁴ Cuba's most important previous attempt at the regulation of industrial disputes is represented by the law of June 9, 1924, which established Commissions of Understanding (*Comisiones de Inteligencia*) with general jurisdiction over all questions relating to port and maritime workers, including labor contracts, wages, hours and strikes. *Legislación social de América Latina*, Vol. II (Geneva, International Labor Office, 1929, p. 139-146). These Commissions, located in all the active ports of the country, were composed of an equal number of representatives of the employers and workers, and presided over by a local judge. In case

Under the Mendieta government the provisions of the Grau legislation were extended in the famous Decree No. 3, issued on February 6, 1934.⁵ This law, while reaffirming the rights of organization and strike, provided that strikes could be called only after a compulsory waiting period, and ordered that none be declared before at least eight days' notice had been given to the Ministry of Labor. With this notice should go an account of the strikers' demands and the supporting arguments. Disputes had to be submitted to Commissions of Social Cooperation. Immediately on receipt of notice of a projected strike, the Secretary of Labor was to appoint a Local Commission of Social Cooperation, headed by an official of the Ministry and composed of three representatives each of the workers and the employers. This Commission was required to announce its decision within seven working days (Article 2).

Should one of the parties be dissatisfied with the decision, an appeal could be taken to a National Commission on Social Cooperation, presided over by the Secretary of Labor, and composed, in addition to the representatives of the workers and employers, of a group of technical advisers appointed respectively by the Secretaries of the Interior, Commerce and Industry, and Labor. This Commission was also required to present its decision within seven working days, the term to be extended only when absolutely necessary and when approved by a majority of its members. Its decisions were not mandatory on the interested parties. The latter were free to resort to a strike or other concerted action, if such a step were approved by a majority of the individuals concerned, except in cases where the demands had been satisfied, or had been declared illegitimate by the Commission (Article 3).

The law also placed limitations on the exercise of sympathetic strikes, forbidding propaganda to impede work or foment strikes outside the limits of the labor sector affected by some demand, and prohibited general strikes endangering the public welfare by lack of light, water, telephones, telegraphs, medical service, pharmacies, fire protection and transport. Employees in these branches were forbidden to suspend activities (Articles 4, 6, 7 and 8). Where strikes occurred

of any difference between workers and employers, the local Commission was to investigate and recommend a solution. Should a strike be threatened, the Commission was to invite the parties to continue work while an investigation proceeded. If this invitation were rejected, a state of strike could be declared. But when the Commission had definitely approved a solution of the conflict, its decision was binding in character.

⁵ *Gaceta Oficial, Edición Extraordinaria*, No. 12, February 6, 1934. Decree No. 8 of February 12 (*Gaceta Oficial*, February 13, 1934) introduced slight modifications to the law.

in contravention of the terms of the decree, the state promised to protect the conduct of the work which had been interrupted; in other cases the action of the state would not be employed to break the strike (Article 8). Any organization, either of employers or employees which violated the law could be declared illegal and dissolved, while severe penalties were also provided for individual leaders guilty of infractions. All strikes then in process should remain in suspense (*quedarán en suspenso*) and the demands should be submitted to the Ministry of Labor.⁶

Decree No. 3, however, was soon threatened with nullification by another wave of strikes, and the government retaliated with even more severe measures. On March 6 President Mendieta promulgated a Law of National Defense,⁷ designating as common criminals (*reos de delito*) all those who advocated governmental change by illegal means or issued other subversive propaganda, and those who violated the laws regulating strikes, engaged in progressive sympathetic strikes (*huelga escalonada y progresiva*), or presented new demands to an employer within the six months immediately following a strike. Offenders against the decree were to be tried summarily by a special Tribunal of National Defense, empowered to impose maximum penalties of two years' imprisonment or a fine of \$5,000, or both. A companion decree of the same date⁸ authorized the deportation of all foreigners who advocated change in Cuba's form of government, interfered with "the right of freedom of work of employers or laborers," or otherwise violated the laws of the country. Three days later Decree No. 63 threatened all unions refusing to suspend strikes within twenty-four hours not only with dissolution (as provided in Decree No. 3) but with the voiding of all agreements with employers.⁹ On March 15 President Mendieta issued another decree, which declared that no officials of unions dissolved because of their violations of Decrees No.

⁶ The law did not expressly require that a strike be delayed until conciliation or arbitration had been completed, but only until the 8-day waiting period was ended. Strikes were considered illegal, however, if declared after the National Commission on Social Cooperation had satisfied the demands in question or had declared them illegitimate (Article 3). Moreover, if strikes were declared before the demands had been submitted to and resolved by the machinery established in the law, the state promised to protect the conduct of the work which had been interrupted (Article 8). Although the Ministry of Labor finally interpreted the decree as forbidding strikes until conciliation is ended, ambiguity concerning the exact limitations placed on the right to strike has proved to be a serious defect of this law. For an illustration of this point, cf. p. 207.

⁷ *Gaceta Oficial, Edición Extraordinaria*, No. 22, March 6, 1934, Decree-Law No. 51.

⁸ *Ibid.*, Decree-Law No. 52.

⁹ *Ibid.*, *Edición Extraordinaria*, No. 28, March 9, 1934. On the same date Decree No. 65 (*ibid.*, March 10, 1934) forbade government employees to form unions of an aggressive character, or to take collective action to abandon their jobs.

3 and 51 could hold similar positions or be elected as delegates of new unions formed to take the place of the old. This prohibition was to be effective for two years.¹⁰

All the above legislation was of emergency character and drawn to meet a particular situation. The ideas underlying it, however, still have currency in Cuba, and the purpose to give them permanent application remains. A recent draft project, elaborated by the Ministry of Labor on the basis of recommendations presented by a representative of the International Labor Office, prohibits strikes until after investigation and conciliation by government-supervised boards. If conciliation succeeds, the agreement achieved is binding in character. If it fails, the dispute is submitted to a provincial Arbitration Tribunal, composed of three members, named respectively by the employers' associations, labor associations, and the President of the Republic on the nomination of the Ministry of Labor. It is not prescribed that the government representative be a judge. Arbitration is obligatory in all disputes relating to public services—railroads, transport in general, maritime and port work, light and power, telephones, telegraphs and water service; and by presidential decree compulsory arbitration may be extended to other activities. A strike is lawful only when all conciliatory processes have been exhausted and the dispute has not been submitted to arbitration. Moreover, it can be authorized only by a vote, supervised by a functionary of the Ministry of Labor, in which 65 per cent of the workers employed approve the strike. The proposed law also sets up labor courts whose jurisdiction will include infractions of the above provisions, other social legislation, and private labor contracts.

Whatever may be the theoretical advantages of legislative regulation of industrial disputes and the right to strike, experience suggests that marked limits exist to the utility or value of regulations going to extremes which have been attempted in Cuba. In the first place, the history of the past year has clearly shown their ineffectiveness. The Mendieta Decree No. 3 was flouted by a widespread strike movement in March, and as a result the more stringent legislation already mentioned was passed. Yet with all the added penalties and prohibitions, strikes and disturbances have continued. The month of July witnessed a strike movement in Havana including newspaper men, omnibus employees, factory operatives and telephone workers. On August 11 government telegraphers and postal employees walked out, in open

¹⁰ *Gaceta Oficial*, March 19, 1934, Decree-Law No. 82.

violation of the whole array of anti-strike penalties. The government first arrested the leaders and threatened other penalties. But when these measures proved fruitless and the strike had tied up mail and telegraph service for almost three weeks, the authorities entered into a compromise settlement with the strikers.

The government's failures to enforce regulation of labor conflicts have severely injured its prestige. Its resources have proved inadequate for such a task. The absence of any effective civil service system makes the great body of public functionaries political appointees, thus practically preventing the creation of a body of trained conciliators. But more fundamental than this, labor has no general confidence in the capacity and impartiality of the state. Political considerations are commonly believed to dominate its policies in industrial disputes. The experience of the past year affords considerable ground for this argument. Although it was charged in the Havana telephone strike that the union had violated both Decrees 3 and 51, the government took no action.¹¹ In this strike no group concerned—the company, the strikers, or the workers who stayed on the job—was satisfied with the rôle played by the state. In other disputes government action was weakened by vacillation. Six weeks after its zealous action in promulgating Decrees 3 and 51, the government proclaimed a general amnesty for all crimes and misdemeanors committed against these laws.¹²

In the second place, this policy has injured labor by providing no effective alternative for the loss suffered by the limitation of its most valuable weapon—the right to strike. In a country of colonial economy like Cuba, where capital, largely foreign in character, is more effectively organized than labor, a strong and aggressive labor movement is essential if the masses of the people are to receive an adequate share of the wealth produced. But with severe restrictions on the right to strike, labor's hands are tied. Arbitral tribunals, it is true, have been set up on paper in connection with the Ministry of Labor. But this Ministry has been handicapped by its newness and by chronic disorganization.¹³ Although provincial labor offices have been established

¹¹ This was generally ascribed to the fact that many telephone employees were supporters of the ABC, whose representatives were then in the Cabinet. Subsequently the ABC declared that it had resolved the problem in favor of the workers, and could not have done more "because the workers and employees of one and the other group [i.e., the strikers and those who remained at work] were equally in major part members of the ABC." "El ABC y los obreros de Cuba," *Diario de la Marina*, July 26, 1934.

¹² *Gaceta Oficial*, April 17, 1934, Decree No. 145.

¹³ Since its creation in October 1933 it has been headed by eight different Ministers.

in the interior, their usefulness has been restricted by inadequate financial support and limited authority. Decision on important matters is reserved to Havana, resulting in costly and irritating delays. Despite the best efforts of many officials, the machinery for both investigation and settlement of disputes has too often failed to function.

A recent strike of the retail clerks in Santiago illustrates the difficulties encountered in the application of Decree No. 3 and the ease with which the government machinery provided therein breaks down. On May 15, 1934 the General Syndicate of Commercial Employees, a union of 500 retail clerks, gave notice to the provincial labor office in Santiago of the demands for higher wages and other matters it was presenting to the merchants of the city. In accordance with the law the Ministry named one of its officials to preside over a local Commission of Social Cooperation, and invited both workers and employers to name three delegates for a meeting on May 31. The clerks' union complied with the request, but the employers failed to name their representatives and instead attended the meeting *en masse*, to the number of approximately 125 persons. Although organized in two associations—the *Asociación de Comerciantes* and the *Unión de Detallistas*¹⁴—the merchants had refused to elect delegates on the ground that many shopkeepers belonged to neither of these organizations; consequently no one at the meeting was in a position to represent all the merchants. Faced with this situation, which apparently made any collective negotiations impossible, the government official presiding suggested that the union representatives discuss their demands with each individual merchant. He invited all merchants willing to enter negotiations to remain at the meeting, but permitted those who objected to withdraw. All but one employer left the assembly, thus condemning the whole proceedings to futility. In view of the merchants' refusal to negotiate, the union at a mass meeting that evening voted to strike, and notified the labor office to that effect. It had given not merely eight but fifteen days' previous notice, and had been assured by the provincial labor office that it had complied with all the requirements of the law.

When union delegations on the following day attempted to secure the closing of all stores in the interest of the strike, they met with opposition from the police. On June 2 union headquarters were raided and closed by orders of the military supervisor. Such interference was

¹⁴ It was brought out at the hearing that the former of these associations had furnished its members with a form letter which too had used in refusing to consider the union's demands.

justified on the ground that the union, in calling the strike, had violated Decree No. 3 and thus was without "judicial personality" and subject to dissolution.¹⁵ The military took this action despite the fact that the law does not clearly require that strikes be postponed until negotiations have been completed, but apparently only for the waiting period of eight days.

Subsequently an inspector of the Ministry of Labor persuaded the clerks to suspend the strike, promising that Havana would rule on the matter promptly and that meanwhile no workers would be discharged. But on July 8 the secretary general of the clerks' union testified: "A month has passed, nothing has been done, and just the other day sixty clerks were let out of various stores. If we call another strike, we won't bother with the Labor Ministry. We'll go to the head of the army here and let him decide whether he wants to arrest us, the employers, or what he wants to do."¹⁶

The clerks' union is an independent body of conservative tendencies, not affiliated with any other labor group. Their experience illustrates both the failure of government machinery to safeguard the workers' interests, and also the ease with which any legal jurisdiction accorded the state in industrial disputes may be used to justify abuses on the part of the army and police.

With labor and the state adversely affected by this legislation, it is not even possible to assert that the interests of capital have been benefited. Strikes, instead of being eliminated, have apparently been lengthened.¹⁷ The settlement of disputes has often been complicated rather than eased. In cases where this legislation has proved temporarily effective in suppressing unrest, the penalties prescribed—particularly the legal dissolution of striking unions and the cancellation of existing agreements—threatened to destroy the machinery of industrial negotiation, and thus made more difficult the solution of future disputes. Although the old unions with their outlawed officials were deprived of legal recognition, they nevertheless continued to exist and to exercise effective control of their members. In industries where new and "legal" unions were created as substitutes, bitter conflicts between

¹⁵ The above account is based on records in the files of the provincial labor office at Santiago.

¹⁶ He stated further: "When we called the strike, the military supervisor called me a red, a Bolshevik and everything else, although I have worked in this one store for sixteen years, since I was twelve. He arrested me, but the judge knew me well and at once let me go. Then the police told me that I would have to report there every hour throughout the day as long as the strike lasted, which I did."

¹⁷ The conciliatory services of Labor Department officials and inspectors have often, however, been of great value.

the two groups resulted, which complicated the original dispute. The balance of actual results inclines against a favorable judgment on this series of measures to enforce industrial peace.

Cuban labor legislation may well provide machinery for investigation of industrial disputes, and for voluntary conciliation and arbitration. But to go beyond these to enforced regulation, including the employment in some cases of compulsory arbitration, is to place an impossible burden on governmental agencies, and to open the door to the wider use of military coercion, thus injuring the development of political as well as economic democracy.¹⁸ Accordingly, the Commission would recommend that the policy of enforced regulation of industrial conflicts be abandoned, and that Decree No. 3 and other legislation of like tenor be repealed.

2. *Social and Labor Legislation*

While with one hand Cuban governments since the revolution have experimented with repressive legislation, with the other they have acted to augment Cuba's scanty stock of social legislation. Although the Republic for a time led all the Latin-American countries in the number of international labor conventions ratified, in domestic legislation it has lagged far behind Argentina, Brazil, Chile, Mexico and Uruguay. The limited achievements which preceded the revolution can be briefly summarized. In 1910 a law restricting the hours of commercial establishments was approved. The 8-hour day was instituted for government employees and for workers in hotels, restaurants and cafés. A minimum wage of \$1.25 was fixed for public employees. The Arteaga Law made the use of IOU's or metal markers for wage payments illegal. The work of women was protected,¹⁹ and the labor of children under fourteen years was prohibited.

In the field of social insurance, compensation for industrial accidents was approved in 1916, and various pension funds were estab-

¹⁸ Experience indicates that a compulsory waiting period for strikes is of questionable utility. It is difficult to enforce and severely handicaps the workers. In the United States legislation in force at the time of the National Recovery Act, with a single exception, placed governmental intervention in industrial conflicts on a non-coercive basis. The Colorado Act of 1915 required parties to labor disputes "affecting the public interest" to submit their cases to a State Industrial Commission, but did not require them to submit to the award. Section 7-A of the NRA obliges every industrial code to stipulate that "employees shall have the right to organize and bargain collectively through representatives of their own choosing."

¹⁹ Commercial establishments selling women's articles, theatres and offices were required to employ a stated proportion of women, and were ordered to provide them with suitable working conditions. For the texts of Cuba's more important acts of social legislation, cf. *Legislación social de América Latina*, cited, II, p. 113-198.

lished to meet the need of old-age insurance. No steps, however, were taken by the government in the direction of unemployment or health insurance.²⁰ Among the pension funds founded were those for teachers, the police and the army, court workers and other government employees, port and maritime laborers, and railroad and street-car workers. These funds in general were built on a faulty actuarial basis, their administration was handicapped by political vicissitudes, and reserves were "raided" during the Machado dictatorship. Because of these factors and the abnormal burdens placed on them by the depression, payments have been seriously interrupted.

The fund for railway and street-car workers, however, has attained a comparative degree of success. It is autonomous in character and its board of directors, composed of representatives of the companies and the workers, is headed by a professor of law, named by the faculty of the national University. The companies contribute 2 per cent of their total wage payments, and the workers 3 per cent of their wages. Due to the depression, the already disproportionate share of the latter was increased to 5 per cent in 1932. The office since its inception has paid out \$14,000,000 in pensions, and at present 4,000 individuals are receiving monthly checks approximating \$50,000. Although by the year 1927 reserves of \$2,000,000 had been accumulated, adverse economic conditions subsequently led to their gradual exhaustion and then to a progressive reduction in the scale of benefits paid, so that now they represent only 25 per cent of the former standard.

It is alleged that a contributory factor in the decline of the benefit payments has been the withdrawal from the scope of the fund of a group of workers now in the employ of the Cuban Electric Company. When this corporation acquired the gas and electric plants formerly the property of the Havana Electric Railway, Light and Power Company and the Havana Central Railroad Company, the employees in these plants were technically discharged and then reemployed by the Cuban Electric Company which had no pension system. On the basis of this "discharge," the employees involved demanded pensions from the fund, on the ground of involuntary unemployment.²¹ The fund refused their petition, since actually they were continuing in the employ of the Cuban Electric Company, but their demands were sus-

²⁰ Some pension funds and some labor unions had provisions for sickness or unemployment insurance.

²¹ The fund authorized the granting of pensions for this cause as well as for old-age. (Article 23 of "Ley de 4 de Octubre de 1929 de Jubilaciones y Pensiones de Empleados y Obreros de Ferrocarriles y Tranvías," *Gaceta Oficial*, October 7, 1929.)

tained by the courts. In consequence the fund was required to pay out pensions to 245 individuals on the payroll of the Cuban Electric Company, despite the fact that neither the corporation nor any of its employees were contributing to its resources. The Grau government attempted to remedy this situation by Decree No. 3162²² which required the Cuban Electric Company to accept the obligations of the fund. This legislation, however, was ordered suspended by the Mendieta régime for a four-month period, beginning May 4, 1934. Meanwhile the problem was referred for study to the Commission on Economic and Social Reforms of the Council of State. While required payments of the 245 pensions represents a particularly anomalous feature of the problem, more important is the general question whether the Cuban Electric Company should further be permitted to escape all pension responsibilities.^{22a}

Cuba also adopted a maternity insurance law. This type of insurance, due to its small cost and ease of administration, was subsequently endorsed as a first step in the field of sickness insurance, in a report presented by two representatives of the International Labor Office, following a study of the controversy between the physicians and the Spanish mutual aid societies.²³ The law prohibited the employment by private individuals or by industrial or commercial enterprises, public or private,²⁴ of women during the six weeks following maternity. Moreover, every expectant mother, irrespective of her civil state, had the right to a vacation for the six weeks preceding a birth. All women insured were entitled to hospitalization and medical service and, in addition, to an indemnification not inferior in amount to the wage they were receiving.

To administer the law, an office (*Caja de Maternidad Obrera*) was established in each provincial capital. Each employer was required to contribute to the insurance fund one per cent of his wage payments to women workers, and each of the latter was obliged to pay one-half

²² *Gaceta Oficial*, December 18, 1933.

^{22a} The Cuban Electric Company is reported as working on a pension plan for its employees. It established on July 1, 1929 a system of group life insurance, which gives to every employee—free of charge—\$500 of insurance after his first year's service, a sum which increases \$100 for each additional year in the company's employ. There is also, apart from this gratuitous insurance, a contributory plan by which, at small premiums paid monthly, employees may secure larger amounts of insurance. Disability is included in these policies. On December 1, 1933, 1,864 employees held free policies totaling \$1,610,000, and there were also 1,358 contributory policies totaling \$1,704,600.

²³ For details of the law, cf. *Gaceta*, June 17, 1934, Decree No. 1568, which provided regulations for Decree-Law No. 152, published in *Gaceta Oficial*, April 20, 1934. The report in question was Cyrille Dechamp and Moisés Poblete Troncoso, *El problema médico y la asistencia médica mutualista en Cuba* (Havana, June 1934).

²⁴ Save only concerns in which members of one family work for themselves.

of one per cent of the wage received. A worker must have paid premiums for at least ten months prior to the birth, in order to gain the right to insurance. Furthermore, women workers who nursed their children were to be granted at least half an hour twice daily. Every industrial or commercial enterprise employing fifty or more women was required to provide a nursery, in charge of a graduate nurse, for all children under two years of age of the women workers.

Since the beginning of the revolution, the most outstanding achievements in the field of social legislation, apart from the 50 per cent law,²⁵ have been an 8-hour decree and a revised industrial compensation act, both approved during the Grau régime. By a decree of September 19, 1933 President Grau established a maximum working day of eight hours for any and all types of labor. Later regulations, issued on October 19, fixed a working week of 48 hours, but weakened the original law by exempting from its provisions agricultural labor, domestic service and taxi and automobile drivers.²⁶

The 8-hour law represented an advance of great significance for the workers. It ended the system of two 12-hour shifts in the sugar-mills, substituting instead three 8-hour shifts, thus making jobs for more workers.²⁷ The length of the working day in factories and shops was materially curtailed. The law signified increased costs to employers,²⁸ many of whom, however, put it into effect without protest. In general it has been well enforced, due chiefly to the vigilance of the unions and the workers themselves.

On November 15, 1933 a new workmen's compensation law strengthened the provisions of the 1916 Act. It provided that compensation be paid for occupational diseases as well as for industrial accidents, and that benefit payments begin with the date of the accident rather than after a period of two weeks. Workers in agriculture and commerce as well as industry are included in the scope of the law.²⁹ This law was strongly opposed by employers, and the foreign

²⁵ Cf. p. 212

²⁶ For the original decree, cf. *Gaceta*, September 20, 1933, Decree No. 1693. For the subsequent regulations, cf. *ibid.*, November 4, 1933. Under President Mendieta, the law was somewhat weakened by Decree No. 364 (*Gaceta Oficial*, February 6, 1934), which permitted laborers to work during the sugar crop 56 hours a week at the rate of eight hours a day. In case of the sudden illness of a worker, others in the same activity might work overtime, but for a period not longer than 7 days.

²⁷ The National Confederation of Labor alleged that had agricultural labor been included in the law, work would have been provided for 100,000 additional laborers.

²⁸ On the railroads of Cuba, it is estimated, expenses for 1933-1934 were increased 11 per cent by the 8-hour day and other concessions to labor. (Cf. Manuel J. Piedra, *Exposición . . . sobre la necesidad de reglamentar el tránsito por carreteras y saldar la deuda del estado con los ferrocarriles de servicio público*, p. 10.)

²⁹ *Gaceta Oficial*, November 16, 1933, Decree No. 2687.

casualty companies which carried policies for the large industrial and commercial concerns threatened cancellation of all policies on December 31, 1933. They pointed out that the new decree made the insurers liable not only for labor accidents, but also for "every organic disease acquired during work and contracted in relation to or as a consequence of the same"; and further, that this liability was unlimited. On December 30 President Grau signed a supplementary decree specifying the occupational diseases falling within the scope of the law and limiting responsibility under the decree to maximum annual salaries of \$1,500.³⁰

Although unemployment has been one of the most fundamental questions facing revolutionary Cuba, no government save the Grau administration has seriously attempted to attack the problem, and in the Grau program large emphasis was placed on measures displacing foreign workers to make place for Cubans. This end was sought by two methods: a decree for Nationalization of Labor (commonly known as the 50 per cent law), whose principal effects fell on the Spaniards, and a program for deportation of Haitian workers. The nationalization decree was promulgated by President Grau on November 8, 1933, and required that 50 per cent of the employees in all industrial, commercial and agricultural enterprises be native Cubans (excepting only managers and technicians who could not be replaced), and that half of the payroll be paid to Cubans. Moreover, all positions vacated and all new ones created must be filled by Cubans, while all discharges or reduction of personnel must be limited to foreigners as long as any remained on the force. Subsequent regulations required employers to classify their workers by departments and within each department by wage categories, the range in total monthly wages in each category not to exceed \$10. At least half the workers in each such category must be native Cubans.³¹

³⁰ Cf. *Gaceta Oficial, Edición Extraordinaria*, No. 51, December 30, 1933, Decree No. 3341, and *New York Times*, December 31, 1933 and January 1, 1934. For the Spanish text of the 1916 law, cf. *Legislación social de América Latina*, cited, Vol. II, pp. 147 ff.

³¹ For the text of the law, cf. *Gaceta Oficial*, November 8, 1933, Decree No. 2583. Decree No. 2977 (*ibid.*, December 6, 1933) contained the regulations (Article III of the latter was revised by Decree No. 3218 of December 20). The regulations provided that in discharging personnel, the following classification be observed, no individuals of one group being dismissed until all those in the preceding group or groups had been let go: 1. foreigners unmarried and without descendants; 2. foreigners married to foreigners or who may have native descendants; 3. naturalized individuals unmarried and without descendants; 4. foreigners married to Cubans or with native descendants; 5. naturalized individuals married or with descendants.

Provisions favoring the employment of nationals are a common feature in the legislation of various Latin-American countries, due largely to the dominant control of many industries by foreign capital and also to extensive foreign immigration. Bolivia, Brazil, Chile, Mexico, Nicaragua, Panama, Peru, Salvador and Uruguay all require employers to hire a definite per-

This law, on its face, could not contribute to any general solution of the unemployment problem, but would at best only shift the burden from one group to another. Although statistics are lacking concerning the number of foreigners displaced, estimates do not put the figure higher than 25,000 or 30,000. It has not everywhere been strictly enforced but, where put into effect, has caused much individual hardship, disrupted the organization of many enterprises, and at the same time failed to provide any large degree of employment to Cubans.³² It has affected principally the Spaniards, often considered the most valuable immigrants Cuba receives. While in its percentage provision the measure is milder than similar legislation in other Latin-American countries, its failure to include naturalized citizens within its scope has been much criticized.³³ Moreover, the decree provided for no exceptions in favor of those foreigners of long-time residence in the island who had married Cubans and whose children were native citizens. The law is defended from the viewpoint of economic nationalism, but it may well be argued that its terms should protect equally all Cubans, naturalized as well as native, and that its provisions should be eased in relation to those foreigners whose families are Cuban.³⁴

An important result of the decree remains to be noticed. Together with the law on labor organization which placed legal control of all labor unions in Cuban hands, the 50 per cent law brought to the aid of the Grau régime in its struggle with communism the force of a newly awakened nationalism. This legislation and the subsequent agitation for an 80 per cent law served to align the Negro and the unemployed masses behind the government. Moreover, a wedge was driven between native and foreign labor, which showed its results clearly

centage of native citizens. The proportion in Peru is 80 per cent, in Chile 85 per cent and in Mexico 90 per cent. (Cf. *Legislación social de América Latina*, cited, I, p. xxxviii, and "Recent Labor Legislation in Latin America," cited, p. 71, 72.)

³² On August 22, 1934 the National Association of Manufacturers filed a protest with the President against the 50 per cent law, alleging that employers found themselves in an impossible position between the penalties exacted by the government for violations and the refusal of the labor unions to permit the discharge of a worker because of his nationality. (*Diario de la Marina*, August 23, 1934.)

³³ It is alleged that any discrimination in privileges between native and naturalized Cubans is unconstitutional. Article 11 of the Provisional Constitution of February 6, 1934, declares: "All Cubans are equal before the law." It is further charged that the law violates Article 10 of the Constitution, which assured to foreigners equality with Cubans in "the protection of their persons and goods," and in the "enjoyment of rights."

³⁴ In a protest addressed to the President (cf. *Diario de la Marina*, August 31, 1934), the *Lonja del Comercio*, an association of produce merchants, demanded the suspension of the law and proposed as an alternative a program which included a labor census, encouragement of general production to increase employment, total suppression of immigration, complete equality of naturalized with native Cubans, and the facilitating of naturalization for all foreigners resident in Cuba for five years, or who have Cuban wives or children born in the island.

among the tobacco, port and needle workers, and the retail clerks, and seriously weakened the Communist drive. Particularly important was the effect on the Havana street-car workers. In a general strike this group holds a strategic position since nothing gives the impression of a stoppage so clearly as a suspension of transport. But in several attempts at a general strike launched by the National Confederation of Labor, the tramway workers, largely Cuban as a result of the law, have refused to take part. The Communists have opposed the 50 per cent law as seriously harmful to working-class solidarity and as ineffective in meeting the unemployment problem.

3. *The Haitian Deportations*

The extension of sugar culture to the underpopulated eastern provinces of the island during the first years of the century stimulated a demand for cheap labor, which led to extensive immigration of Haitian and Jamaican Negroes. In Cuba's first immigration legislation, Military Order No. 155 of May 15, 1902,⁸⁵ the entry of contract laborers had been strictly prohibited. Decree No. 743 of August 20, 1910,⁸⁶ designed especially to promote European immigration, permitted private corporations and individuals to introduce "immigrant colonists" for agricultural work. The first laborers authorized under this law were from Spain, but in 1913 the Nipe Bay Company was permitted to bring in for Central Preston 1,000 non-Cuban West Indians.⁸⁷ With the World War, the demand for labor was further stimulated, and a law of August 3, 1917 authorized corporations and individuals to introduce laborers, until two years after the end of the conflict, provided guarantees were given that they would not become public charges or constitute a threat to health, and that they would be re-embarked at the proper time.⁸⁸ During the administration of President Menocal, from 1913 to 1921, 75,000 Haitians and 76,000 Jamaicans entered Cuba. For subsequent years the number of legal entries is as follows:⁸⁹

⁸⁵ For the text cf. *Civil Orders and Circulars*, Sec. IV, p. 573.

⁸⁶ Cf. *Legislación obrera de la república de Cuba* (Havana, Rambla, Bouza y Cía., 1919), p. 190-210. This decree provided the regulations for the law of July 11, 1906 (*ibid.*, p. 186-189) to promote immigration and colonization.

⁸⁷ Decree No. 23, January 10, 1913. Cf. *Colección legislativa: leyes, tratados, decretos y resoluciones* (Havana), Vol. 39, p. 46.

⁸⁸ *Legislación obrera de la república de Cuba*, cited, p. 210-213. Regulations for the law were contained in Decree No. 1707 of October 29, 1917 (*ibid.*, p. 213-223).

⁸⁹ For years mentioned through 1931, cf. Secretaría de Hacienda, Sección de Estadística, *Inmigración y movimiento de pasajeros* (Havana). Data for 1932 and 1933 is unpublished and was taken directly from the files of the Sección de Estadística.

<i>Year</i>	<i>Haitians</i>	<i>Jamaicans</i>
1921	12,483	12,469
1922	639	4,455
1923	11,088	5,844
1924	21,013	5,086
1925	18,750	4,747
1926	12,346	2,508
1927	14,312	2,348
1928	14,353	974
1929	4,339	243
1930	5,126	38
1931	22	52
1932	16	60
1933	8	32

In addition, a large number of Haitians and Jamaicans entered Cuba illegally. Although many of these immigrants were returned to their homes, the law's provisions concerning re-embarkation were evaded to considerable degree. As a result, the 1931 census revealed that Cuba as a whole had 79,838 Haitians and 40,471 Jamaicans, of which the following numbers were found in the two eastern provinces.

<i>Province</i>	<i>Haitians</i>	<i>Jamaicans</i> ⁴⁰
Camagüey	31,992	11,088
Oriente	42,998	17,472
Total	74,990	28,560

The two groups taken together totaled 103,550, but this figure is held to be too low by the Department of Immigration, which asserts that the number of West Indian immigrants in Cuba, resident almost entirely in the two above-mentioned provinces, approaches 150,000.⁴¹ Hostile feeling had been growing for some time against this alien element in Cuba's population, which had become an important factor not only in cane-cutting but also in coffee-picking. The press had carried on a campaign, charging that it was Africanizing the country, undercutting Cuban wages and driving out the *colono* system. The Haitians were largely illiterate and against both groups it was charged that "their low morality, and the sicknesses and vices to which they are subject constitute an unquestionable threat" to Cuba.⁴² Moreover they were accused of taking jobs on which it was felt Cubans should have first claim during a period of general unemployment.

⁴⁰ The census figures are for those of British nationality, but this group is made up almost entirely of Jamaican Negroes.

⁴¹ Official report of Dr. Rogelio Pina to the President of Cuba, *Diario de la Marina*, July 8, 1934.

⁴² *Ibid.*

The government's first step was a decree of October 19, 1933, which ordered the obligatory repatriation of all foreigners without work and resources.⁴³ Deportation was to be carried out by the municipal authorities with the cooperation of the army, the expense of the procedure to be borne from government funds. In the following month, the program of deportations was initiated, being directed principally against Haitians, and by June 1934 approximately 8,000 of these immigrants had been sent out of the country.⁴⁴ This program, largely carried out by the military, was inevitably attended by serious hardships for the Haitians, many of whom were uprooted from relationships they had established in Cuba and deported, irrespective of their wishes. It was charged that many Haitians with steady employment were illegally seized and deported along with their destitute compatriots.

On May 26, 1934 the Cabinet commissioned Dr. Rogelio Pina to make a study of the effects of this policy. His report justified the deportation proceedings on the ground of the social undesirability and illegal status of these immigrants, and presented various recommendations for future handling of the problem. These included the prohibition of further importation of West Indian laborers, and in general of all Negroes and Orientals. It was argued that future immigration of this type would be unnecessary, in view of the reduced quota allotted Cuban sugar, and particularly so if legal limitations on the length of the grinding season were removed. The shortening of this season had been a major factor in creating the increased demand for labor. As a further safeguard against labor shortage in the future, a program for colonizing the two eastern provinces with the excess agricultural labor of Cuba's central and western provinces was suggested, similar in character to the large-scale colonization program successfully carried out by the United Fruit Company from 1928 to 1930. Moreover, the immigration of whites, preferably in family groups, was to be encouraged. Concerning the Haitians and Jamaicans now in the country, it was recommended that a special census be made of this group, providing data not only on their distribution, but also on their occupation and present economic condition. Following this a five-year plan was to be worked out for the deportation of all who were destitute or illegally in the country, beginning with the impoverished, the diseased

⁴³ *Gaceta Oficial*, October 19, 1933, Decree No. 2232. A subsequent decree of December 20 (*Gaceta Oficial*, December 28, 1933, Decree No. 3289) made liable to deportation all foreigners illegally in the country as the result of failure to comply with the immigration laws.

⁴⁴ Report of Dr. Pina, cited.

and the criminal, subsequently including unmarried individuals, and leaving to the end family groups and those holding property.⁴⁵

Cuban opinion strongly believes that this Haitian and Jamaican immigration, apart from its economic contribution, represents a social and cultural liability for Cuba. The country's right to prohibit future entries cannot be questioned. It also possesses the legal right to deport many immigrants now in the country. Humanitarian considerations, however, suggest that if the program is to be continued, it should be carried forward on the basis of the census suggested by Dr. Pina, and with sufficient discrimination and flexibility to minimize to the lowest degree the possibility of injustice. No deportation should be carried through without first according the individual concerned a hearing before a court.

At the same time the inadequacy of this program, as well as the 50 per cent law, to remedy effectively Cuba's unemployment problem, must not be forgotten. Solution for that problem will be found, not in these essentially negative measures, but rather in the development of Cuba's productivity along lines elsewhere discussed.

⁴⁵ *Ibid.*

NOTE: Where reference is made in this chapter to Decrees No. 3, 8, 51, 63, 64, and 145, in each case Decree-Law is meant.

CHAPTER X

THE SUGAR INDUSTRY—EXTERNAL ASPECTS

1. *Development of the Industry*¹

Sugar cane was brought to Cuba by its first governor, Diego Velásquez, in the second decade of the sixteenth century. It began to be manufactured in small quantities for export toward the end of that century. But the amount was trivial until the stimulus given commerce by the British occupation of Havana in 1762. This impetus was re-enforced after 1791 by the civil wars in Haiti, which eliminated the leading sugar-producing area in the world, and transferred many French planters to Cuba. During the Napoleonic period Cuban ports became open to foreign merchants, encouragement was given to the importation of slaves and to the colonization of immigrants, and Cuban producers were able to take advantage of the favorable development of the market for sugar in the United States and Great Britain. Production more than trebled from 1800 to 1840, and doubled during the following two decades. By 1868 it reached a total of 749,000 tons² under the stimulus of prices averaging for years over 10 cents a pound in New York. In 1827 there were a thousand plantation mills; in 1846, 1,442.³ Rebello in 1860 lists some 1,290 Jamaica train-mills and 65 others that had thus far introduced some form of vacuum apparatus for evaporation. Most of the mills were driven by steam. These mills ground cane from an average of less than 500 acres of land with an average of 150 slaves apiece.⁴ But they already involved large investments of capital in slaves, buildings, land, etc., the average being estimated at \$250,000. This makes an investment for the island of some \$375,000,000—probably overestimated—largely in the hands

¹ For brief accounts of the history of the Cuban sugar industry, cf. R. Guerra, *Azúcar y población en las Antillas* (Havana, 1927), pp. 149-70; Jenks, *Our Cuban Colony*, cited, Chapter 3 and *passim*.

² Long tons unless otherwise specified.

³ Carlos Rebello, *Estados relativos a la producción azucarera de la isla de Cuba* (Havana, 1860); cf. Juan Póey, *Informe sobre rebaja de los derechos que pagan en la península los azucareros de Cuba y Puerto Rico* (Havana, 1862).

⁴ The census of 1862 gives a white population on sugar estates of 41,661; free Negroes, 3,876; slaves, 172,671.

of Cuban proprietors. Even large mills operated on only 1,500 acres. Already the cry was raised that production was too extensive, and learned studies were published dealing with improvement both in the agricultural and manufacturing departments of the industry. At that time it was thought that 50,000 *arrobas* (1,250 short tons) of cane were produced to the *caballeria*—rather more than recent figures. Improvement in mill methods rather than improvement in the field⁵ was then and has continued to be the order of the day.

But the installation of improved machinery meant increased capital outlays, and it became evident that the larger enterprises had numerous production advantages. These tendencies toward concentration which appeared in the sixties were consequently resumed with more rapid tempo after the Ten Years' War. By the early nineties there were only four hundred odd mills still grinding, averaging some 1,500 tons—nearly 10,000 bags apiece. This concentration was hastened by the catastrophic fall in the price of sugar, due to the rise of bounty-fed beet sugar in Central Europe, which rapidly eliminated marginal plantations in favor of those whose mechanical efficiency enabled them to extract two or three times as much sugar from the cane. It was also furthered by the uncompensated emancipation of slaves in Cuba, and ensuing agricultural adjustments. In this process a large number of estates passed into the hands of newcomers from the Spanish peninsula,⁶ many of them originally merchants, while Cuban planters, large and small, became attached to the new *centrales* under contract as *colonos*, devoting themselves entirely to the raising of cane.

The Wilson tariff of 1894 and the Cuban revolution hastened the process of elimination and concentration. When the industry began to revive in 1904 under the aegis of American reciprocity, there were only 173 mills grinding, with a total output of 1,040,228 tons. This made the average output per mill about 41,000 bags. The industry now grew steadily at rates even more rapid than those which prevailed in the early nineteenth century. The expansion was almost entirely in the mechanical capacity of individual mills and in more extensive cane zones, which meant at first an increasing proportion of *colono* cane as compared with administration cane—grown directly by the mill itself. A number of American enterprisers had been attracted to

⁵ The Derosne process of concentration in vacuum was brought to Cuba in 1842, but spread most rapidly in the sixties and seventies.

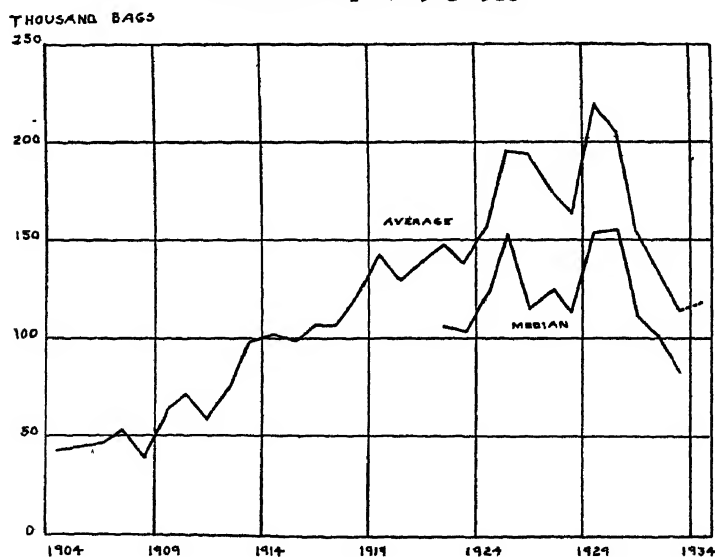
⁶ The transfer of ownership seems to have begun with confiscatory measures applied at the outbreak of the Ten Years' War. About one hundred mills belonging to supporters or sympathizers of the revolt passed into the hands of influential Spaniards from 1869 to 1871.

Cuba by the new status of Cuban-American relations, and some of them were developing sugar properties in the virgin lands of Camagüey and northern Oriente. Among these were the Cuban-American Sugar Company and the United Fruit Company, whose mills set a new standard for size. By 1914 Cuba was producing 2,597,732 tons of sugar, and mills manufactured an average of 100,000 bags. Twenty-three tiny mills had fallen by the wayside, some of them becoming *colonias* for their neighbors, and their places had been taken by new units with powerful mills and extensive cane resources. The accompanying graph (VIII) illustrates trends in growth in average mill size. Until 1909 practically all of Cuba's increased production was absorbed by the expanding American market. In 1914 the United States still took 86.7 per cent of Cuba's supplies and had virtually ceased to import sugar paying full duty. As Cuban production further expanded, it became increasingly dependent on the hazards of the world market.

GRAPH VIII

Average Output of Cuban Sugar Mills, 1904-1933

Median Output, 1923-1933



But with the outbreak of the World War these hazards appeared to be peculiarly fortunate. Prices which had been hovering around 2½ cents a pound for a decade suddenly showed a tendency to rise.

As the energies of one country after another were turned to war activities, Cuba became an increasingly important factor in the world's economy. By 1917 prices were so high that the Allies besought the cooperation of the United States in inducing Cuba to accept a fixed price for its sugar. For two years Cuba experienced its first taste of controlled economy—a controlled market with prices fixed successively at 4.60 and 5.50 cents f.o.b. These prices were enough to augment production considerably. Some twenty-five new mills were launched during the war period, nearly all on virgin land at the eastern end of the island which by 1922 was to outstrip the older provinces in sugar production. Most of these mills were initiated by Cubans with their sugar profits, although many of them passed rapidly into the hands of American corporations at good prices. In 1918 there was a harvest of 4,009,834 tons, in mills averaging 140,000 bags.

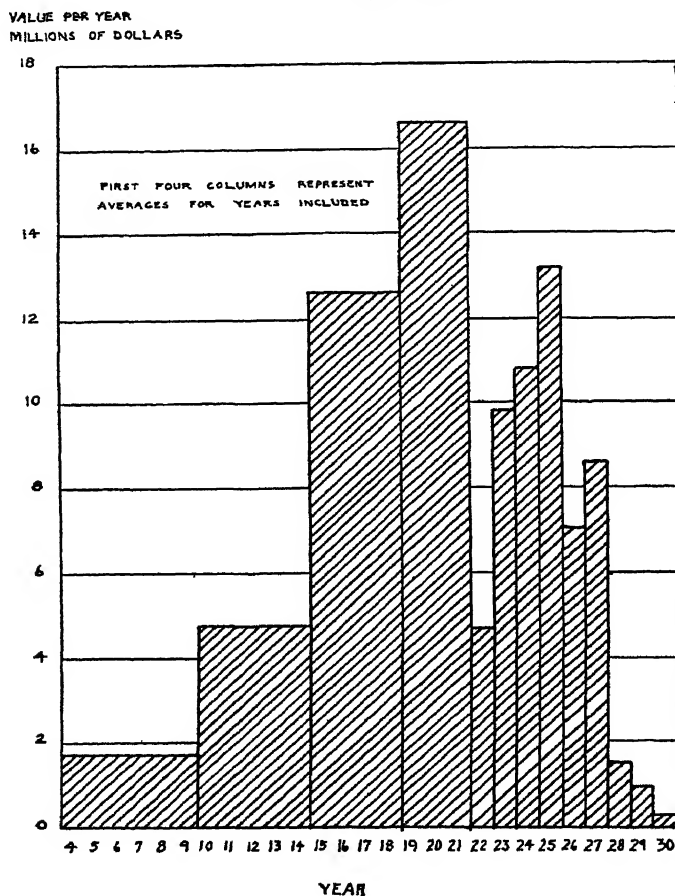
The United States ended its sugar control suddenly, toward the end of 1919, and sugar soared for the few delirious months of the "Dance of the Millions." Then invisible sugars began to appear, and prices fell even more rapidly than they had risen. The ensuing crisis came at a moment when large numbers of mills were heavily involved in new plantings, and had made new machinery installations at inflated prices. It coincided, moreover, with a bank crisis which destroyed the bulk of the local banking institutions. Under these circumstances liquidation meant the rapid transfer of large numbers of properties into the possession of Americans, especially American banks and corporations whose own difficulties were giving those banks a decisive voice in their affairs.

Thus the Cuban sugar industry found itself enmeshed in the intricacies of corporation finance. This form of financing had been slow to take root in the industry. In 1904 there were only 27 mills organized under the control of corporations or *sociedades anónimas* under Cuban law, and all were privately owned. The first public issue of securities was made by the Cuban-American Sugar Company in 1909 to finance its raw sugar mills and two refineries. The organization of the Cuba Cane Sugar Corporation in 1916, with seventeen mills at the outset, set the high-water mark for corporate acquisition. But as the crisis of 1921 passed there were a dozen concerns, each embracing several mills, all appealing to the American securities market for funds.

Without this market, Cuba would never—even in the hands of reckless bank syndicates—have taken the fatal step of expanding its produc-

tion by another million tons.⁷ But the market was there, and many a mill was doubled in capacity to provide ampler basis for a bond issue.⁸ The accompanying graph (IX) indicates trends in the importation of sugar-mill machinery into Cuba. It is true that by 1923 the prospects were entrancing. Sugar-beet areas in Europe had failed to come back rapidly to former yields, while the rate of consumption was advancing rapidly. Sugar rose to 6 cents for a time during 1923.

GRAPH IX
Imports of Sugar-Mill Machinery
into Cuba, 1904-1930



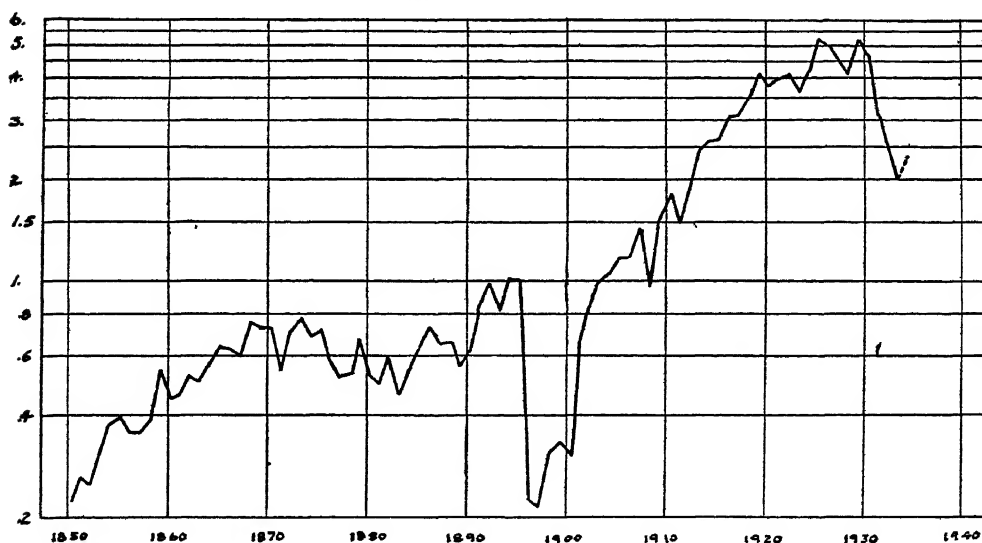
⁷ For an appraisal of the rôle of leading corporations in expansion, cf. Jenks, *Our Cuban Colony*, cited, pp. 282-3. As late as 1927 the American Sugar Refining Company was adding a third tandem of mills to Central Jaronú.

⁸ "In 1923, 1924 and 1925 there was more money spent in Cuba for expansion than was spent in the sixteen years elapsing between the Spanish War and the World War." C. J. Welch, *Commerce & Finance*, November 5, 1930, p. 2073. (Mr. Welch is proprietor of Central Cape Cruz.)

On this basis most of the large American companies and some others proceeded to make extensive new plantings and additions to plant, which resulted in a crop of 5,189,346 tons in 1925. The average size output for the year was 195,000 bags and the median output was over 150,000. The bulk of the large milling capacity was in American hands. It was reasoned that their increased size would mean low unit costs and enable them to survive successfully any hazard which the future might have in store.

Thus the development of Cuba's sugar industry has taken the form of three long periods of rapid growth, culminating in the middle seventies, 1894 and 1929, respectively. These growth periods have been interrupted by two periods of recession, each about ten years long. The accompanying chart (Graph X) illustrates this movement graphically. These trends do not, however, demonstrate that Cuba may look forward to another growth period to commence about 1940.

GRAPH X
Sugar Production in Cuba
(in millions of long tons)



Before examining in some detail the situation which thus confronted Cuba and the successive endeavors which it has made to defend its principal export crop, it will be advantageous to describe some of the external features of the Cuban sugar industry—its products, the units under which production is organized, the distribution of owner-

ship, mode of financing, and the characteristics of the market in which sugar must be sold.

2. *The External Organization of the Sugar Industry*

Sugar as manufactured for the export market is a highly standardized product. In Cuba the final product of nearly the entire industry on which its price structure is based is "raw sugar"—a well-formed crystal, still coated with a thin layer of molasses and containing certain other impurities, which is 96 degrees pure by polariscope test.⁹

Several mills, however, carry the process of manufacture through from the cane to 100 degree refined sugar. This development dates from about 1926 when the Hershey Corporation completed the conversion of Central Hershey into a large bone-black refining plant.¹⁰ The formation of the Sugar Institute in the United States in 1928 and the resulting increased margin to refiners between the cost of raw and the price of refined sugar encouraged other mills to install less elaborate refining processes, based on some variety of vegetable carbon.¹¹ Centrals Toledo, España, San Agustín (Z.), Mabay, Ramona and Reforma have been equipped to refine sugar in this way. They do not operate throughout the year and refine chiefly their own sugar. Hershey, on the other hand, in addition to refining the sugar of the three *centrales* belonging to the Hershey Corporation, buys raw sugar from five other mills at the present time. The daily melting capacity of all refineries in Cuba amounts to 3,605.9 short tons (raw value), enabling them to melt 1,081,770 short tons of raw sugar in a 300-day operating year, or about 48 per cent of the entire sugar crop of 1934. In 1933, however, only 456,278 short tons of refined sugar were shipped to the United States, the principal market.¹² Between 40,000 and 50,000 tons are usually disposed of in the island. About 25,000 tons are exported to countries other than the United States. Assuming that the raw sugar

⁹ Raw sugar has been graded for market on this basis since the centrifugal process became general in the eighties. Processes of clarification have steadily improved, with the result that the average polarization of raw sugar now manufactured in Cuba is about 96.5 degrees.

¹⁰ This was the origin of the continuous refining process at raw sugar factories in Cuba. Specialized refineries, however, have operated at Cárdenas since the middle of the nineteenth century. One owned by J. Arechabala has had a continuous existence since 1878. Another, owned by the Cuban-American Sugar Company, was founded by the Tolón family about the time of the War for Independence. As recently as 1924 these and other small refining plants produced only 28,489 short tons, and Cuba actually imported refined sugar.

¹¹ The Hawley-Smoot tariff of 1930, which decreased the differential duty in favor of refined sugar from .1472 cents a pound to .12 cents was also a factor in this development.

¹² The growth of the refining industry in Cuba is illustrated by the following figures of imports from that island into the United States, taken from U. S. Tariff Commission, *Report*

sold in the United States in 1933 brought approximately the average New York c. & f. price for the year, and that Cuban refined sugar sold on an average .10 cents below the average price for that commodity, it may be computed that Cuban sellers of refined sugar realized about \$18,000,000 as compared with \$27,000,000 for sellers of raw sugar in the American market. In 1934 the Jones-Costigan Act restricted the import of "direct consumption" sugars from Cuba to 22 per cent of its quota to the United States.¹³ In September 1934, the Export Corporation allocated this 22 per cent to the refineries which operated between 1931 and 1933 in proportion to their average export to the United States during those years. As a result, not more than about one-fifth of Cuba's current sugar output of 2,300,000 long tons may be refined in the island.¹⁴

The principal by-product of sugar factories is *bagazo*—the fibrous cellulose left when syrup is extracted from the cane. Practically all of this is now consumed as fuel for the mills. In a few cases a surplus of *bagazo* has encouraged experiments with cellulose manufacture of one kind or another which up to the present have not achieved industrial success. The principal marketable by-product is molasses (black-strap)—a residue containing no crystallizable sugar. Two gallons of it will produce one gallon of raw alcohol. In 1933 113,439,354 gallons of molasses were exported to the United States. Few of the sugar mills are equipped at present with special plants to make alcohol, although

to the President on Sugar (Washington, 1934), p. 170, and reports of the National Sugar Export Corporation:

Year	Imported into U. S. (in short tons, 100 degree value)	Exported to U. S. by Cuba (in short tons, 100 degree value)	Total Exports of Cuba
1925	1,324	?	3,953
1926	58,082	?	78,415
1927	88,706	?	136,173
1928	186,726	?	241,237
1929	255,966	?	335,616
1930	255,070	?	319,813
1931	352,082	356,521	381,074
1932	420,698	461,696	?
1933	390,188	456,278	?

There are obvious discrepancies in these figures. One explanation for the persistency of the excess of exports from Cuba over imports into the United States is that some sugar is warehoused in bond, for later entry into the United States or for reshipment abroad. It is also possible that some sugar computed as refined in Cuba polarized at less than 100 degrees on entry into the United States and that there was irregularity in the weight of bags.

¹³ Under "direct consumption" sugar, several other types besides refined sugar are included. The chief of these are: (1) *turbinado*—a centrifugal sugar polarizing above 98 degrees, produced by turning steam into the centrifugals as the molasses is thrown off; (2) *blanqueado*—raw sugar decolorized but not purified, by a carbon process; and (3) invert sugar syrup, an acid solution of raw sugar rendered unfit for refining but useful in ice cream manufacture. Cf. U. S. Tariff Commission, *Report to the President on Sugar*, cited, pp. 33-56, for discussion of the increasing rôle of this latter form of raw sugar.

¹⁴ For further discussion, cf. p. 308 ff.

some have done so in the past. A minor by-product, *cachaza*—refuse from the milling process—is used as fertilizer by many of the older mills.

3. *Size and Ownership of Mills*

Ignoring minor differences in final product, we may say that the sugar industry in Cuba is still operated in a considerable number of units, each relatively large. In 1934 cane was ground at 135 mills, as compared with 176 in 1926. The crop restriction about to be discussed has meant a drastic reduction in average output from 195,000 bags to 119,000. This average is still larger than that for any other producing area in the world. One hundred sixty mills are still allotted quotas under the Sugar Stabilization Law of 1930, and exactly half of these had a basic quota of less than 60,000 bags in 1933 and were entitled to manufacture up to that point in 1934 if they chose. The largest output in 1934 was 706,860 bags from Central Preston; the smallest was 4,576 bags from Central Santa Rita.

With possibly two exceptions the existing mills in Cuba are privately owned, and with twenty-four exceptions this ownership assumes corporate form under the laws of Cuba or some American state. Many of these corporations combine more than one milling unit under common supervision, which sometimes amounts to an extensive pooling of the factors of production. This is especially true of mills under American ownership, such as the Cuba Cane group which now operates 12 mills, General Sugar eight, and Cuban-American six, although there are at least nine Cuban family groups controlling two or more mills.¹⁵

In 1927 it was estimated that out of 175 active mills, 75 were definitely American; 14 mixed Cuban and American; and 10 Canadian or mixed Canadian and Cuban.¹⁶ There were also some fifteen mills owned by Spanish or French proprietors, and four owned by a British national born in Cuba. Since that time there have been a large number of transfers of property, including several important consolidations. The situation has changed also with respect to the proportions involved. Out of the 160 mills still regarded as "active," seventy may be

¹⁵ The Falla heirs, of whom Dr. Viriato Gutiérrez has been most prominent, seem to control 7 mills; the Gómez Mena family, 5 or 6; the Castaño family of Cienfuegos, 4; Fowler Brothers, 4; Galbán, Lobo & Co., 4; García Brothers, 2; Tarafa Brothers, 2 (consolidated from 6 or 7); and General Rafael Montalvo, and Marchena, 2 each. The first three groups were founded by Spanish immigrants, but ownership has become Cuban by inheritance and residence. The Fowler family was originally British.

¹⁶ Jenks, *Our Cuban Colony*, cited, p. 284, and p. 339, n. 3.

classed as definitely American; five as mixed Cuban-American; twelve as Canadian. Most of the other foreign mills have fallen to Cuban heirs. Practically the same proportion of "active" mills is North American-owned as in 1927; the proportion of those actually grinding, however, has fallen from 42.8 to 40 per cent. On the other hand, while in 1927 the North American mills produced approximately 62.5 per cent of the sugar made in Cuba, in 1934 they produced 68.1 per cent.

Until the last two or three years most of the American-owned mills belonged in legal theory to widely scattered security holders in the United States.¹⁷⁻¹⁸ The processes of liquidation and reorganization which have resulted from the enormous deficits piled up in recent years have greatly reduced this number. More explicitly, the owners of shares in the Cuba Cane Sugar Corporation, Punta Alegre Sugar Company, Cuban-Dominican Sugar Company, the Warner Sugar Refining Company, the Atlantic Fruit & Sugar Company, the Beattie Sugar Company, and the Céspedes Sugar Company, which controlled about 25 per cent of Cuba's sugar in 1925, have lost their original claims to the property. They retain an interest only if they have been able to make fresh advances of working capital. Bondholders and debenture holders in these concerns have not fared much better. In some cases they have received common stock in reorganized companies in place of their former privileged position. With two or three exceptions it seems certain that all companies with securities issued in the United States will undergo a process of reconstruction.

The most spectacular of these transformations has been taking place this year in the affairs of the largest consolidation of mills in the island—the Cuba Cane group. Most of these mills were sold at final auction in February 1934 to a banking group headed by the Central Hanover Bank and Trust Company for \$4,000,000 and accrued interest on this sum advanced at the time of an earlier reorganization in 1931. The ten mills involved were carried on their own books at \$64,097,-398.61 before that reorganization, and had been valued at \$19,839,-803.81 before foreclosure. Similar action in the cases of what were the Cuban-Dominican Sugar Corporation, the Beattie Sugar Company and the Atlantic Fruit & Sugar Company has also reduced property valuations and eliminated most classes of former security holders.

The Warner Sugar Refining Company, Céspedes Sugar Company,

¹⁷⁻¹⁸ The Cuba Cane Sugar Corporation, which had the widest distribution of securities, had 11,877 holders of common and preferred stock in 1922.

Francisco Sugar Company, Manatí Sugar Company, two subsidiaries of the General Sugar Company, and the Ermita Sugar Company are among the other American companies with securities distributed in the United States that have been in receivership at least during the past year. It is probable that some of these will be reorganized by agreement with security holders.

It is difficult to say that more mills are actually now under the control of banks than in 1927. It is believed that many which are not directly operated by the banks have incurred such indebtedness that their independence is menaced. At any rate bank ownership or operation is a striking feature of the present situation. Nine mills are controlled by the National City Bank, eight of them through the General Sugar Estates, Inc. The Royal Bank of Canada operates an even larger number of mills, most of them through the Sugar Plantations Operating Company. It has sought to preserve title for original owners in many cases, and has in other cases sought to reconstitute them under individual control, with occasional success. The Chase National Bank of New York, in addition to its interest in the new Atlantic & Gulf Company and in Punta Alegre, has three mills on its hands. Other bank-owned mills include Macareño, largely the property of the National Shawmut Bank of Boston; Caracas and Amazonas, belonging to the First National Bank of Boston; and Cavadonga, in which the Canadian Bank of Commerce has a one-third interest.

The American-owned mills in the strongest position financially are those owned outright by American refineries or by holding companies to which refineries belong. These include Cunagua and Jaronú, belonging to the American Sugar Refining Company; Preston and Boston, which belong to the United Fruit Company; and Chaparra, Delicias, Mercedita, Tinguaro, Unidad and Constancia (A), which are the property of the Cuban-American Sugar Company. Hershey, Rosario and San Antonio belong to the Hershey Corporation.

A striking feature of trends in ownership has been the tendency for sugar merchants to sink from a prominence which they held as late as 1926. Of the far-flung interests of the old Atkins firm, only their pioneer mill, Soledad, remains in the hands of the family. The Rionda family, principal partners in Czarnikow, Rionda & Company, long the outstanding sugar dealers in New York and, through allied partnerships, also in London and Havana, are still interested in Manatí, Francisco, Elia, Tuinucú and Céspedes. The first three are in friendly

receiverships. The last is in a tangle. The family has long since lost control of the Cuba Cane properties. Cape Cruz is still owned largely by Welch, Fairchild & Company. Two small companies closely allied with the National Sugar Refining Company and Farr & Company, sugar brokers—Guantánamo Sugar Company and New Niquero Sugar Company—remain out of banker control or receivership.

Other American groups include two mills long owned by the Cuba Company, subsidiary of the Consolidated Railways of Cuba; and two acquired by Armour & Company in the course of collecting accounts for fertilizer.

As a result of the current reorganizations, there is a perceptible trend away from the corporate form and especially from the corporate form which divorces ownership from management. The entrepreneurial function in the Cuban sugar industry is in a state of great fluidity.

With few exceptions, sugar mills in Cuba have always been run by private enterprise. This condition is as old as the sugar industry in the West Indies, which was one of the earliest fields of production to be organized on a capitalistic basis. Whatever the ultimate nature of ownership in these enterprises, it seems likely that the forms of capitalistic organization, at any rate, will be continued indefinitely. One or two *centrales* are at the present time being operated partly in the interest of their *colonos*, as a result of bankruptcy proceedings on behalf of badly disorganized groups of creditors.

Central Limones has belonged to the Cuban government for several years, having come to it as partial security for deposits in the defunct Banco Nacional. It has been operated intermittently on lease, but in recent years its cane land has been leased for harvesting virtually as a *colonia* for the Hershey mills. Its cane supply is deficient for its grinding capacity; hence its lack of success cannot be regarded seriously as an argument for or against government ownership. The suggestion has been made that the government acquire some mills, and a decree was issued in January, 1934,¹⁹ empowering it to bid actively at final

¹⁹ In Decree No. 102 of January 8, 1934, the Grau government modified the Cuban mortgage law so as to give the government an option to take over a foreclosure bid within 15 days after the auction. It was believed that the government wished to take over the bankrupt Cuba Cane properties by this decree. At the sale held on January 30 the only bidder was the mortgagee creditor, who bid in the property for \$4,155,000, which represented the mortgage debt at that time. The Mendieta government, which had meanwhile taken office, did not exercise its option under Decree 102 and the court approved the sale on March 20. About April 10, however, the government brought suit to nullify the court's approval, so that the government might again elect to take over the properties under Decree 102. It contended that the notice given to it of the results of the auction was defective. The mortgagees, it is reported, would

auctions for bankrupt sugar properties. It is argued that it is public policy to recapture for Cuban ownership some of the mills that have been owned by North American interests; that it is undesirable for them to fall into the hands of creditors or others at a fraction of their former value; and that the government should control the operation of some mills as a "yardstick" by which conditions of employment, costs, etc., in other mills may be measured. There is no little merit in the first contention, and the second is persuasive. The new operators of bankrupt properties acquired at auction prices will be able to manufacture sugar under conditions highly favorable for profits, as compared with other proprietors. It may be considered, however, that it is in line with the best interests of the Cuban sugar industry to eliminate heavy overhead costs. It works no advantage either to *colonos* or employees for mills to be handicapped in current financing by the deadweight of exorbitant rentals, fixed interest charges and disproportionate depreciation allowances. This reduction is an advantage to the island and should not be unduly hindered by the government. It seems unlikely that creditors will allow properties to go to final auction in Cuba with the government as an active bidder. The "yardstick" argument seems to be wholly inapplicable to the sugar industry, however valuable it may be when applied to public utilities engaged in supplying services to domestic consumers. The Commission, finally, is not convinced that any Cuban government in the near future should add to its already enormous financial and administrative responsibilities and to the tasks of social reconstruction which it confronts by assuming the burdens of finance and enterprise for any part of the sugar industry.

The bankruptcy of sugar enterprises does involve matters of public concern, which may be discussed after an examination of the way in which sugar manufacture is financed in Cuba.

4. *Finance*

The financing of a nineteenth century sugar plantation was simple. The planter simply bought the place with his own accumulated funds

not have held the auction had they understood that the Mendieta government had any intention of applying the decree. The institution of the government suit led the banks to refuse credit to the foreclosed properties, thus paralyzing dead season activities. On receiving petitions from *colonos* and others dependent on the Cuba Cane mills, the Mendieta government on July 3, 1934 appointed a commission of lawyers to report on the possibilities of winning the suit. On July 23 the Cabinet, taking into account the report of the commission, voted to withdraw the suit on the ground, among others, that it could not finance the purchase or operations of the properties.

or paid something down and gave a mortgage on the rest, which he rapidly retired out of earnings. Dead season and crop activities were financed, when necessary, by sugar merchants who contracted to market the sugar when it was made.²⁰ As the normal size of mills has grown, however, the earlier modes of long-term financing have become impossible for all but a very few mill-owners, and new agencies have absorbed most of the business of financing the crop.

At the present time all but about thirty of the mills in Cuba are owned by corporate enterprises of one kind or another. The stock of most of the rest is owned by comparatively few individuals. During the twenties, however, there was a tendency for many of the companies to appeal to a wider investing public by public offerings of bonds and, in some cases, of stock. This was particularly true of companies which came under the control of great American banks and security houses.

The activity of North American banks in the sugar business, however, did not start with these long-term financial operations. One of the most useful functions of the Banco Nacional, which was closed in 1921, was to begin the process of taking away crop financing from the sugar merchants. As North American banks extended their branches into Cuba they competed actively for this business and have absorbed the bulk of it since the failure of local banks. Practically every mill in Cuba requires loans to cover the usual dead season operations of planting and cultivating and to finance the crop as it is harvested and milled. Dead season advances involve a speculation as to the ability of the mill to grind and as to the worth of the sugar when it is made. This is secured in many cases by mortgage on the entire mill property, or on bonds covering it, in others by crop liens which are a form of mortgage on the growing cane. In any case such advances are a form of character loan based on confidence in the mill management and in its ability to make a crop. Sometimes legal documents are dispensed with as unnecessarily awkward and expensive. The practice is for crop loans to be replaced early in the grinding season by the pledge of sugar certificates.²¹ The sugar as it is made also becomes the basis for loans to pay mill employees and cane cutters as the crop proceeds. One large group of mills, following a second

²⁰ This method of financing was of course very expensive. Rates on advances ran as high as 2 per cent a month and commissions on purchased supplies and sugar sales ran up to 5 per cent.

²¹ This is a bank loan secured by bags of sugar in the warehouse which are represented by certificates. Crop lien advances usually specify that this form of loan must replace them.

bankruptcy and reorganization, has recently gone on a cash basis. It sells sugar outright to meet its expenses and incurs none that it can not pay for week by week. This is a far cry, however, from procedures that have been common to most American companies and many Cuban mills. It has not been unusual for \$40,000,000 to be outstanding in crop loans at the end of the calendar year, and for a larger amount to be loaned on sugar security at the end of the crop. Any time that a mill seeks marketing advantage by holding its sugar for future sale it must borrow money on sugar in the warehouse or fail to meet *colono* liquidations and payrolls. The rates on these loans have recently averaged about 8 per cent, although occasionally higher rates are heard of.²²

It was through their involvements in crop financing and loans for new plantings that the commercial banks were chiefly drawn into the problems of long-term financing, especially after the crisis of 1921. It is correct to say that in many cases they made fresh loans, facilitating expansion, to protect previous advances. It is not correct, however, to infer from this that many New York banks, caught up in the enthusiasm of the Coolidge era, did not go into this business with eagerness. They bought properties to combine with those which had come into their hands through foreclosure, and issued securities on them which they pressed enthusiastically on their investment clientèle. Bankers, as well as investors, have come to regard this activity as unfortunate. The resulting over-expansion of the sugar industry, the concentration of labor and capital in places where no sugar mills should have been erected, the depletion of large areas of virgin forest, and the ruthless business tactics employed by some bank-dominated concerns have left the Cuban people a sorry recollection of the entry of the banks into the sugar business.

5. *The Sugar Market*

The marketing of Cuban sugar presents a great diversity of form, varying to some extent with the ownership, to some with the end-

²² A few mills continue to be financed by sugar merchants such as Galbán, Lobo & Co. in Havana and Lowry & Co. in New York. Others are financed by refiners. In one year the Hershey Corporation, for instance, financed eleven mills, most of whose sugar it took for refining. A very few mills, chiefly Cuban-owned, are financed out of family resources. Finally, many mill-owners hedge their sugar on the New York Sugar Exchange or in the London terminal market. Several bankers and other money-lenders insist on this procedure when advances are made.

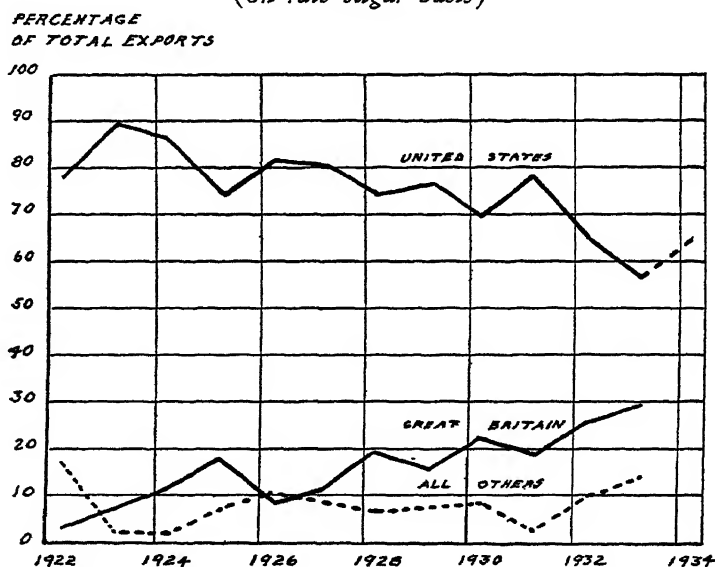
products of manufacture. Some mills are affiliated directly with refiners, and some with other American manufacturers consuming raw sugar. In such cases the "sale" is merely a bookkeeping transaction within the organization. Other mills occasionally sell raw sugar direct to refiners or to other consumers. The bulk of the raw sugar entering the American market, however, is handled by a variation of the traditional method of marketing colonial produce—a method already clearly established in the marketing of sugar from the Dutch, British and French West Indies in the seventeenth century and hence one of the oldest institutions of modern capitalism. Briefly, this method consists in selling sugar outright to a merchant in Cuba or the United States, who thereby assumes all the marketing risks; or, alternatively, offering it for sale through a commission merchant in New York with a brokerage representative in Cuba, who deals at the risk of the owner for a fee. There are some two dozen such brokerage houses in the United States and Cuba, some of which have specialized for years in this activity. Commissions which were formerly as high as 5 per cent have in the last quarter century been reduced to a fee of $\frac{1}{8}$ of one per cent for sampling and grading and $\frac{1}{4}$ of one per cent for the sale. Since the broker's earnings depend on the price of sugar, it is to his interest to make an effective bargain for his client. The great shrinkage in the volume and price of Cuban sugar has meant reduced earnings for these houses. Moreover, the result of mill consolidation has been to concentrate the business in the hands of a few firms, closely identified with the controlling banks and corporations. Several American companies maintain their own departments for this work. Cuban exports of refined sugar and other grades are marketed through the same agencies that handle raw sugar.

Sale must eventually be made for most of the sugar to some one of the dozen seaboard refineries along the Atlantic coast from Galveston to Boston. A quantity now limited by the Jones-Costigan Act may be sold as "direct consumption" sugar to bakers, candy and soft drink manufacturers and ice cream makers. Some sugar, moreover, is sold originally to "second hands"—operators on the Sugar Exchange, who take delivery of sugar in settlement of future contracts. These operators are usually engaged in the sugar industry in some part of the world, and must eventually sell their purchases to refiners. They form, however, an extra link in the marketing process, which enlarges the field of competition in the market from a short-time point of view.

Cuban sugar sold outside the United States is marketed through similar channels. It is the United States, however, that has been for decades Cuba's principal market. Cuba has never sold much more than a million tons directly to other countries.²⁸ During the twenties from 75 to 80 per cent of Cuba's sugar exports were to the United States. In 1933, however, this proportion sank to 57 per cent. Under the quota arrangements for 1934, the proportion amounts to 65 per cent of the sugar allocated quotas for export. Cuba's principal outside market is Great Britain, with France, Belgium and Canada accounting for other important contingents. The accompanying graph (XI) illustrates these ratios, and indicates the striking increase in the proportions of Cuban sugar taken by Great Britain. This is a relative rather than an absolute increase. Substantially, however, Cuba has been able to maintain a position in the world market, while falling behind in the United States.

GRAPH XI

Annual Cuban Sugar Export Ratios, 1922-1933
(on raw sugar basis)



The objective of marketing is disposal of goods at a price which will bring the greatest possible advantage to sellers and buyers. The price for Cuban sugar since the World War and until the last year or

²⁸ Exports of refined sugar from the United States may be regarded as an indirect export of raws from Cuba. These averaged 547,406 short tons from 1914 to 1920, and 449,940 tons from 1921 to 1925. Since that time, however, they have declined to negligible proportions. For the fiscal year 1933-1934 they amounted to about 60,000 tons.

so has been based on the price obtainable in New York, cost and freight paid to that point. The rise of the New York Sugar Exchange in the twenties made it the most active market in the world, a market in which sugar producers from Poland to Java hedged their sugar, and therefore tended to fix the ruling "world" price.²⁴ The gradual development of the quota system has brought about a complete separation of the New York price from prices for the rest of the world.²⁵ Cuban sugar now sells at three distinct levels, each reflecting forces of demand and supply in particular markets. There is a New York market, affected only by sugar allotted a quota under the Jones-Costigan Act; there is a "world" market largely determined by the free sugar which may come to London and the demand for it in a few importing countries; and there is a local market in Cuba, ranging a few points below the price at which sugar is shipped to Europe.²⁶ Under the quota system, 60.2 per cent of the 1934 crop is marketable at the American price level; 32.6 per cent at the world price; and 7.2 per cent at the local price. Any price change solely in the United States, therefore, has a less than proportionate effect on the gross income of Cuban mill-owners.

In the American market Cuba has usually encountered competition from three groups of producers: (1) from Puerto Rico and the Philippines, selling duty-free to the same refiners and other consumers with whom Cuba must deal; (2) from domestic beet-sugar producers, cane-sugar mills in Louisiana and Florida, and Hawaiian raw sugar producers who refine in California, all of these selling directly to the American trade; and (3) potentially from countries which must pay full duty to enter their products into the United States. The following table indicates important changes which have taken place in the proportions of American consumption of sugar supplied by Cuba, continental producers and insular areas respectively.²⁷

²⁴ Sales on this exchange rose as high as 13,378,000 tons in 1927. This market is properly a "hedging" market rather than a commodity market. Relatively little sugar actually changes hands in the course of its transactions. By 1933 sales had dropped to 6,646,000 tons.

²⁵ This discussion does not deal with other national markets, similarly shut off from a world price system by devices analagous to those established in the United States.

²⁶ Even before the quota system, Cuban producers did not actually sell all their sugar on a New York c. & f. basis. Some sold at a price f.o.b. Cuba and others sold on a c.i.f. basis, especially to Great Britain (i.e., the Cuban f.o.b. price, plus cost, insurance and freight to London). Nevertheless these price levels were closely linked and fluctuated simultaneously. Among the factors which affect the basis on which mill-owners sell may be mentioned a difference between the Anglo-American and the Cuban pound, difference in costs of commercial drafts and possible losses in polarization.

²⁷ U. S. Tariff Commission, *Report to the President on Sugar*, cited, p. 4. 1931 is the first year in which the insular areas actually supplied more to the American market than Cuba. 1929 is the last year in which Cuba supplied more than one-half the American requirements.

PROBLEMS OF THE NEW CUBA

PROPORTION OF AMERICAN SUGAR SUPPLIED BY

<i>Period or Year</i>	<i>Cuba</i>	<i>Continental United States</i>	<i>Insular Areas</i>
1912-13	50.4	22.4	25.2
1914-16	49.2	24.0	25.6
1917-21	48.6	23.5	23.9
1922-26	56.2	19.4	23.0
1927-30	49.4	18.4	31.8
1931	37.2	23.6	38.6
1932	28.2	23.7	47.7
1933	25.3	26.6	47.9
1934	29.4	28.1	42.3

It appears from this table that insular production has steadily enlarged its proportions. Cuba's share of the American market, which increased during the early twenties, has since dropped to a point lower than it has been for a century, with the exception of the period from 1895 to 1903.

The gradual curtailment of Cuba's market in the United States has thrown Cuba back on the "world" market, where its interest is of more recent standing, dating chiefly from the time of the World War. And here, too, Cuba has found a narrowing field of action.

Sugar is produced, of course, nearly everywhere in the world. But not all of the 26,000,000 tons which the world output of cane and beet sugar averaged annually from 1925 to 1929 entered into direct, active competition with the Cuban product. Approximately 65 per cent of the world sugar crop is consumed at home, a proportion which is increasing. Countries which produce practically enough to supply their needs surround their producers with high tariffs, and maintain markets only indirectly affected by external conditions. Moreover, much of the sugar shipped from country to country is marketed under preferences similar to those enjoyed by Cuba in the United States. This is especially true of the colonial possessions of France, Portugal and Japan, and since the World War imperial preference has narrowed the range of competition for the markets of Canada and the United Kingdom. Subsidies of a direct sort are an old story in Europe. Since 1925 Great Britain has subsidized home-grown beets, and more recently Crown Colony cane. The Netherlands has just recently joined the ranks. Scandinavian countries, British India, the Irish Free State, Turkey and Persia are among those which have sought to remedy problems of domestic employment and foreign exchange by encouraging production within the last few years. Differential excises, differential freights and tax exemptions are employed in addition to tariffs. Thus

the active world market for sugar includes but a small proportion of the world's sugar. In the late twenties it was generally accepted that the "open market" could take care of around six million tons.²⁸ Great Britain, British India, China, Canada, Japan, France and its North African protectorates, Switzerland and Chile were the largest net importers of sugar. The Far East was a special preserve of Java, partly by reason of freight advantages, but even more because its final product is a raw white sugar, the special demand for which is in Asia.²⁹

The world economic crisis has reduced the "open market" to not more than three million tons.³⁰ Countries which are parties to the Chadbourne agreement have been trying to arrange quotas in a market estimated at 2,600,000 tons. The surplus which any country in the world produces in excess of its requirements must compete in this narrowing market. Any unsold stocks, as they accumulate, tend to depress prices, and slight fluctuations in the world supply may exert a great impression on the "world" price for sugar.

There are special features of the sugar industry which make production respond much less automatically to price recessions than to price advances. It shares with many other highly industrialized fields the problem of overhead costs arising from large investments in plant, and with all commercial agriculture a similar problem arising from improvements in land. So long as mere operating expenses can be met, it is advantageous to continue to produce. But in the West Indies, where cane grows for many years from ratoons without the necessity for fresh planting, operating costs may be greatly contracted. Moreover, in Java, where plantings are annual, the growing of cane has been part of an elaborate six-year cycle of crop rotation, linked with the supply of food for the inhabitants, sugar being planted eighteen to twenty months before the harvest. Thus the law of supply and demand is materially impeded in its functioning in the sugar industry. The West Indian sugar industry has seen enterprises die of financial troubles for nearly three centuries. But mills remain and cane still grows, while new enterprises come forward to carry on at diminished

²⁸ F. C. Licht, *Monthly Report on Sugar* (Magdeburg, May 31, 1934), p. 51; G. Mikusch, "Die Internationale Zuckerkrise und die Versuche zu ihrer Lösung," *Berichte über Landwirtschaft*, N. F. IX; 250-52.

²⁹ This circumstance at the same time is a handicap to the movement of Java sugars to Europe.

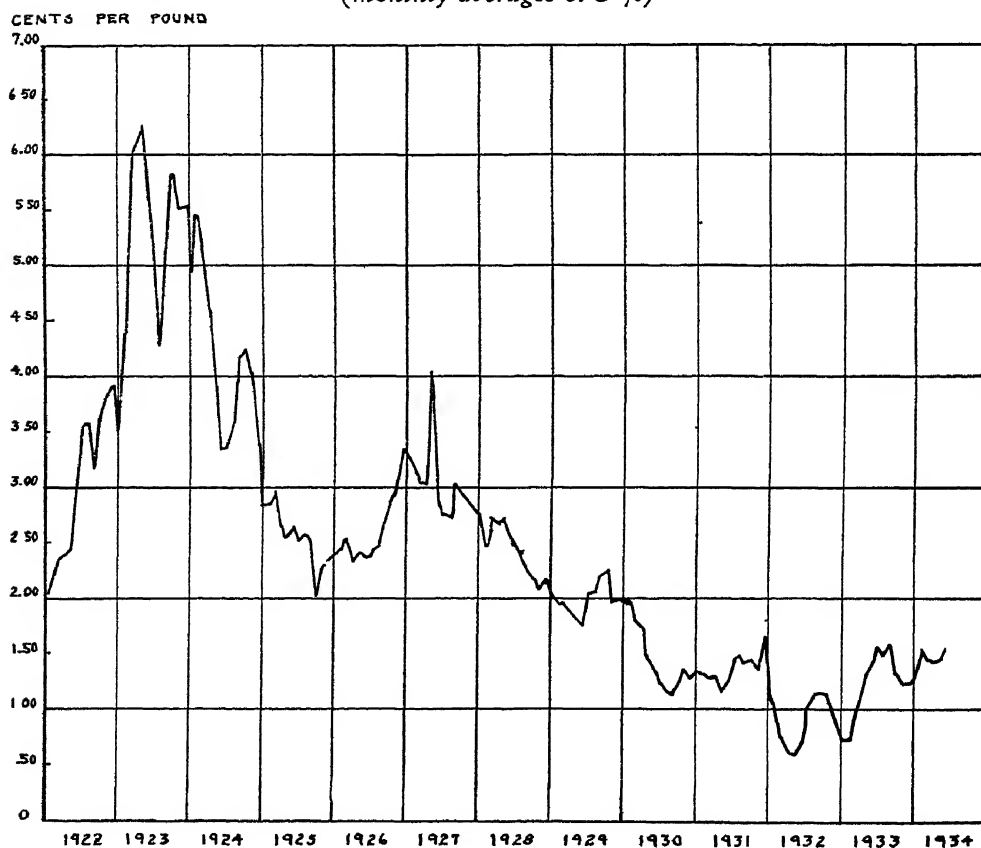
³⁰ Cf., in addition to references to Licht and Mikusch just cited, Mikusch, "Die Schrumpfung des freien Weltmarktes während der letzten Jahre," *Die Deutsche Zuckerindustrie* (May 13, 1933), pp. 418-20.

capital costs. Hence when sugar prices fall, supplies of sugar do not automatically decline.

The present depression in sugar dates from 1925-1926, when world production overtook consumption. During and immediately after the World War world production sank from 19,879,000 to 16,609,000 metric tons, according to the figures of Dr. Gustav Mikusch of Vienna. Although cane sugar in Cuba, British India and various South American countries increased in volume, European beet-sugar production fell from 6,259,000 to 2,568,000 metric tons. In the early twenties new beet plantings began, but for several years consumption rose faster than production at rates far above pre-war rates. By 1925, if the Soviet Union is omitted from the picture, Europe had returned to its pre-war level of production; its demand for cane sugar slackened consequently.

GRAPH XII

Raw Sugar Prices on New York Market
(monthly averages c. & f.)



But in the same year Puerto Rico, Hawaii and the Philippines together soared beyond their former maximum production by half a million tons; and Cuba expanded by a million. In a single year the world's crop had grown by 20 per cent; and for the crop year 1924-1925 a million and a half tons more sugar were produced than consumed.³¹ Prices fell steadily as markets took account of the situation. Cuban sugar, quoted in New York around 2.83 cents at the beginning of 1925, sank to 1.95 on October 27, 1925, averaging 2.562 for the year. To assist the reader in following these and subsequent price movements, the graph (XII) on page 238 has been prepared.

Cuba managed to export nearly all the sugar it produced before the end of December 1925, but at prices that meant net losses for many mills, and lacerated feelings for enterprisers. Impressed by the situation, Cuban producers and the Cuban government inaugurated in 1926 a remarkable series of efforts to control the supply of sugar.

³¹ *Lamborn Sugar Statistical Bulletin* shows an excess of 1,886,000 long tons; Mikusch, *Geschichte*, cited, p. 41, gives 1,584,000 as the figures; H. S. Prinsen Geerligs, *The Planter & Sugar Manufacturer*, March 16, 1929, pp. 201-2, says 1,943,000; J. W. F. Rowe, *Studies in the Artificial Control of Raw Material Supplies, No. 1 Sugar* (London, London and Cambridge Economic Service, Special Memorandum, No. 31, 1930), p. 17, has the figure of 600,000.

NOTE: Mr. Gruening and Mr. Buell do not agree with the statement on p. 230 that a government-owned sugar *central* cannot be used as a "yardstick" in measuring the social conditions which may be expected from the industry generally. Likewise Mr. Gruening and Mr. Buell doubt whether the methods employed by the Mendieta government in the disposition of the Cuba Cane properties advanced the best interests of the country. Cf. p. 229, footnote 19.

CHAPTER XI

THE SUGAR INDUSTRY UNDER CONTROL

The story of Cuban sugar control during the past nine years can be envisaged without difficulty as an ancient tragedy, with the over-expanded sugar industry as hero struggling against forces beyond its control. Cuba has experimented with restricted production, delayed production, and market quotas; it has had pools and cartels, single sellers and a near valorization scheme; it has acted unilaterally and has sought international cooperation; and it has experienced spasms of complete *laissez faire*. Each resolute effort has seemed to lead the sugar industry more inexorably toward its doom, or did so until changed policies on the part of the American government restored some hope. The drama has unfolded in two acts and an interlude. In the first act, Cuba sought to bend the market to its desires single-handed. In the interlude it allowed production to go its pace, and sought fitfully through pools and a unified selling agent to make the best of the ensuing situation. In the second act, it has sought international cooperation by means of the Chadbourne plan to bring stability into the market.

1. *The Coming of Control*¹

The first steps toward control were taken in the spring of 1926, under pressure of a movement of mill-owners and *colonos* which originated in the vicinity of Sagua la Grande.² This movement convinced the government that unless the competitive race of mill expansion were checked, many Cuban-owned mills would close down, municipalities would be stripped of revenues, and thousands of men would be thrown out of employment. No government in Cuba cares to face such prospects. The Verdeja Act, passed on May 3, 1926, pro-

¹ For fuller discussion of the material of this section, cf. Rowe, *Studies in the Artificial Control of Raw Material Supplies*, No. 1 *Sugar*, cited; G. Mikusch, *Kuba, Haiti und Louisiana als Zuckerländer* (Berlin, 1930); and G. Mikusch, "Die Internationale Zuckerkrise und die Versuche zu ihrer Lösung," cited, pp. 231-53. Current trade publications have also been consulted.

² Mikusch, *Kuba*, cited, pp. 31-32; weekly letter from Mendoza & Co., *Commerce & Finance*, March 31, 1926. Restriction had been advocated in the preceding fall by prominent *colonos* of Camagüey and Oriente.

vided a 10 per cent curtailment of the estimated crop for the current year, and was supplemented by decrees which put an end to the cutting of virgin forest for the extension of cane plantings. Under authority of the same Act, the 1927 crop was limited to 4,500,000 tons and the grinding date was delayed to January 1.³ Quotas were assigned to individual mills roughly in proportion to the crops they had expected to realize, and it was provided that the curtailment be distributed between the *colonias* of each mill in the same ratio. These measures were partially responsible for a consequent rise in sugar prices, to a point above 3 cents New York c. & f., for several months between the end of 1926 and June 1927. But as the 1928 crop season approached, it became clear that in rival producing areas expansion had not been checked. Java had discovered its wonderful cane variety, P.O.J. 2878, which was maturing for the 1928 harvest with a tremendous increase in cane per hectare. European beet plantings were the largest since the war, and for the moment the Soviet Union was a threatening factor.⁴

Under these circumstances Cuban policy came under the influence of the dynamic Colonel José Tarafa. It was decided to solicit the cooperation of other exporting areas in a common effort to limit production and adopt positive measures for the marketing of Cuban sugar. Again at the initiative of the government, although with the approval of the organized mill-owners, the Sugar Defense Act of October 4, 1927 set up two institutions to carry this policy into effect:

(1) A National Sugar Defense Commission to advise the President as to his duties under the Act, to prepare annual estimates of the amount of Cuban sugar required in the United States and other countries, to recommend the degree and character of restrictions to be adopted in any year for a six-year period, and to attempt to negotiate agreements with other countries.

(2) A Sugar Export Company which all mill-owners must join as shareholders, to control all sugar marketed outside the United States

³ The fixing of a delayed grinding date, which has been a feature of Cuban sugar control for every year since this Act, was not calculated to reduce output at all. Rowe views it as a concession to American interests. Actually it tended to mean a larger average yield of sugar from cane, which does not achieve maturity until toward the middle of February. Competition for labor and bank practices as to crop advances had tended to cause grinding to start as early as the first of December in some districts. In the 1926 crop 79 mills began to grind before December 31, 1925. The delayed grinding date favored high capacity mills, had nothing in it for the *colonos*, and tended to shorten the crop season for workers and perhaps the volume of employment as well.

⁴ It has been contended by some that the inauguration of Cuban control encouraged this expansion. The Commission has not been convinced of the correctness of this argument for reasons developed on p. 253. Cf., in this connection, Rowe, *op. cit.*, p. 667.

and Cuba, to market any sugar entrusted to it, and to administer a system of production quotas and destination certificates with respect to individual mills and their *colonos*.

On the basis of understandings reached with Germany, Czechoslovakia and Poland, Cuba reduced its 1928 crop to 4,000,000 tons,⁵ and divided this total into four contingents for marketing:⁶ 3,050,000 tons, plus a 250,000-ton carryover were assigned to the United States market; 150,000 for home consumption; 600,000 for sale outside the United States and Cuba by the Export Company, and 200,000 for a reserve. Although it was anticipated that the greatest difficulty would be with the world market, the Export Company disposed of its quota and its reserve without delay at prices well above 2½ cents. In the American market, however, there was another tremendous increase in the supply of insular sugar. The company reduced the American quota by 300,000 tons in June, but prices fell throughout the year, averaging 2.38 cents in August as compared with 2.72 in January.

These conditions, together with other factors, worked a reversal of public opinion in the sugar industry. The quota system deprived mills owned by refining interests of their customary market advantages. Large capacity mills in a good financial position saw their advantages of lower unit costs wiped out to the benefit of smaller mills with less adequate cane zones. *Colonos*, moreover, for the first time saw restriction taking its toll of the cane fields, as nine million less *arrobas* were accounted for in 1928 than the year before. They complained that they had to bear all the agricultural risks involved in leaving cane in the fields—risks of fire, hurricane, flood, and loss of weight of cane through drying up. Meanwhile their rents and interest on advances remained the same.⁷ The grinding period, which averaged 136 days even in 1925-1926, had been reduced to an average of 87.5 days, partly by more rapid grinding. This increased productivity of labor meant a shortened employment and coincided with a fall of wages. Finally, the public mind focussed on the simple fact that while Cuba had been restricting output by a million tons, the world total production had risen half a million. It was erroneous logic to leap from

⁵ Long tons unless otherwise specified.

⁶ This agreement automatically lapsed when Cuba abandoned control in the following year. It was the starting point, however, for continuous negotiations between the European parties concerned, which greatly facilitated the formation of the later Chadbourne agreement. The immediate practical importance of the discussions appears to have been the continuance of the sugar cartel in Germany, the establishment of control in Poland and Czechoslovakia, and a campaign for increased sugar consumption. Cf. G. Mikusch, *Geschichte der Internationalen Zuckerkonventionen* (Berlin, 1932).

⁷ *Facts About Sugar*, 23: 615; Mikusch, *Kuba*, cited, p. 43.

this fact to the conclusion that improvement would be brought about by an unrestricted crop.⁸

At the end of August 1928, however, export restrictions were lifted for the balance of the year, and it was indicated that while the Sugar Defense Commission would continue to function, there would probably be neither crop control nor organized marketing during the following year. The announcement was made with much of the crop unsold; and before plantings were completed in other countries. While it was of political value, it cost millions to holders of Cuban sugar; prices sank rapidly from 2.50 cents to an average of 2.07 in November.

As grinding commenced in January 1929 on the largest crop Cuba has ever manufactured, the Americans became eager to take action. New York bankers backed proposals to establish a voluntary selling agency. Toward the end of March 1929 leading American corporations formed a Joint Foreign Sales Syndicate under the management of Manuel Rionda.⁹

The success of this agency, which sold 600,000 tons of sugar by the time of its dissolution on August 19, 1929, brought a fresh reversal in sentiment among Cuban producers who had declined an invitation to cooperate.

In May 1929 Colonel Tarafa emerged from retirement to urge the establishment by law of a Single Seller for all sugar, with the objective of eliminating competitive pressure of sugar on the market, forcing Java to agreement by challenging it in the Far East, and recapturing for Cuba part or all of the preferential allowed by American reciprocity. Conferences in Washington with Senator Smoot and others, supplemented by a somewhat ambiguous letter from Smoot,¹⁰ convinced Tarafa that if Cuba did establish the Single Seller, cordial relations would be maintained with the American beet interests and tariff modifications injurious to Cuba would be prevented.

On July 26, 1929, in accordance with the Sugar Defense Act, Machado issued a decree organizing mill-owners into a Cooperative

⁸ The great decline in sugar consumption involved in the world economic collapse could not, of course, be foreseen at that time. Cuban production would have eventually been cut below 3,000,000 tons in any event. There would not have accumulated, however, the vast excess of sugar stocks in the market, which has been especially depressing on prices.

⁹ Willett & Gray, April 18, 1929, p. 209. Rowe thinks that the private purpose of the syndicate was to forestall a more radical move on the part of the Cuban government (*op. cit.*, p. 30). It is a fact that a committee of the Cuban House sat weekly on Wednesdays from the first of March to the end of May considering projects of all sorts, from nationalization of the mills to the development of new manufacturing uses for sugar.

¹⁰ *Informe presentado por el Coronel J. M. Tarafa a la Comisión Especial, nombrada por la Cámara de Representantes para el estudio de la situación de la industria azucarera* (Havana, 1929).

Sugar Sales Agency, Inc.¹¹ This organization, directed by a board elected by all mill-owners as shareholders in proportion to their output, was to take over all unsold sugars remaining in Cuba as of August 31, 1929, and was to have entire charge of the sale of sugar in the 1930 crop, which was to be unlimited. No provision was made, however, for means to finance the crop. Mill-owners could not borrow against sugar in the warehouse, for they were not free to sell if required to make good the loan. The Single Seller owned no sugar and had no borrowing capacity itself. Hence, mills without cash resources, which had already mortgaged their properties to their full value, encountered exceptional difficulties in meeting the expense of making the crop.

The marketing policies of the Cooperative Sugar Sales Agency did not relieve this situation by turning sugar rapidly into cash.¹² Its sales policy was too rigid for a market full of Cuban sugar; only a little over 300,000 tons of the new crop was exported before the middle of April. Under pressure of local sentiment, the Single Seller was dissolved on April 14, 1930, and the 1930 crop released for private marketing with the possibility of pledging it with banks for loans.¹³

A flood of sugar released by dissolution of the Agency was partly responsible for the collapse of prices which ensued. Basically the situation in the summer of 1930 went back to the factors responsible for the failure of the Single Seller; imperfect organization, conflicting elements in the industry, inelastic sales policy, lack of arrangements to finance the crop, and the onset of the general world depression. With prices already at their "lowest since the Crusades"—as an excited trade publication put it—the second interlude of a free market lasted scarcely six months.

2. *Chadbourne and After*

The passage of the Hawley-Smoot tariff and the inauguration of the Chadbourne plan opened the latest act in the drama of Cuba sugar control.

¹¹ Decree No. 1224, July 26, 1929, *Gaceta Oficial*, July 29, 1929.

¹² The executive committee of the agency, elected October 23, 1929, consisted of Dr. Viriato Gutiérrez, José Gómez Mena, F. Gerard Smith, vice-president of Cuba Cane, W. H. Armsby, vice-president of Cuban-Dominican, and M. L. Leonard, vice-president of Punta Alegre. A memorandum from Galbán, Lobo & Co. to the Sugar Export Corporation, in the summer of 1934, alleges that the Cubans advised a more active sales policy, while the American representatives insisted on price maintenance. Delay in making decisions was caused by the fact that American members would not act without express instructions from New York.

¹³ The most sympathetic discussion of the work of the Agency is in Mikusch, *Kuba*, cited, pp. 55-56, based apparently on personal information from Colonel Tarafa. Mikusch points out that from the first it aroused the bitter animosity of North American refiners. Rowe, cited, pp. 33-36, thinks it was dissolved none too quickly to save Cuban mills from complete elimination.

It is not the province of this study to dissect the peculiar circumstances under which American tariffs are customarily made. Nor can the Commission attempt to deal with the much-discussed question of the incidence of the sugar duty as between American consumers and Cuban producers. It is a dogma in Cuba that tariff revisions upward are subtracted from prices producers receive for their sugar,¹⁴ and except for short periods when customary supplies for the United States have appeared low, it seems certain that for periods of indefinite length some, at least, of the tariff falls on the Cubans.

PRODUCTION IN U. S. MAINLAND AND INSULAR AREAS *

	(in long tons)		
	1920-1921	1929-1930	1932-1933
Louisiana	150,996	178,223	198,892
Hawaii	504,073	825,891	924,595
Florida	—	—	32,143
Philippines	255,843	773,674	1,145,341
Puerto Rico	438,494	773,310	744,918
U. S. Beet	969,419	901,713	1,206,656
Total	2,318,825	3,452,811	4,452,545
Total American Consumption	4,110,000	5,605,000	5,270,000

* U. S. Tariff Commission, *Report to the President on Sugar*, cited, p. 150.

Since 1903 Cuba has had reciprocity with the United States under which its sugar enjoyed until August 1934 a preference of 20 per cent over other foreign sugars. The effect of this preference has been that since about 1910 Cuba could sell here all the sugar consumed in the United States which could not be grown by domestic producers. But so long as there were Cuban producers to compete with each other for this privileged market, they could not sell sugar here for any more than it would command in the world market. Since 1910 the effective American tariff on sugar has been 80 per cent of the basic rates; at the time the original reciprocity treaty was signed it implied a rate of 1.348 cents per pound on Cuban raws polarizing at 96 degrees. By the Underwood tariff of 1914 this rate was reduced to 1.0048 cents. Since

¹⁴ Ellis, *The Tariff on Sugar* (Freeport, Ill., 1933), succeeds in showing beyond doubt that over a period of years prior to the Chadbourne plan, Cuban sugar sold in New York duty-paid for approximately the world price plus the duty. His further reasoning tends to show that increases in duty are passed on to the American consumer. But his method of analysis throws no light on the possible bearing of the American duty in those years on the world price through its effect on Cuban production margins. Cf. also P. G. Wright, *Sugar in Relation to the Tariff* (Washington, 1924), and *The Cuban Situation and Our Treaty Relations* (Washington, 1931), for extended treatment of the tariff on sugar. Wright reasons that the long-time effect of tariff increases is to depress foreign sugar prices and lower foreign marginal cost of production, and to raise American sugar prices and raise the domestic marginal cost of production.

the World War, however, until 1934 three revisions of the sugar tariff have been made, all upward. The emergency tariff of 1921 raised the Cuban rate to 1.60 in the midst of a catastrophic decline of prices; in the following year the rate was raised to 1.7648; the Hawley-Smoot tariff of 1930 fixed the effective rate at 2 cents. Indirectly, the effect of these tariff changes has been greatly to stimulate domestic production of sugar within the tariff walls, thus reducing the scope of Cuba's market.

To be sure, the tariff is not the sole factor in this expansion. Improved cane varieties have augmented cane production without proportionate increase in acreage or capital investment. Domestic unemployment has certainly fostered the beet crop in some areas, and reclamation projects in others. The increasing heights of tariff protection, however, have raised the margins at which it was profitable to produce cane and beets within the tariff wall, and have helped to maintain large profits for many producers even during the depression.

The passage of the Hawley-Smoot tariff coincided with a general slump in world sugar prices, which reacted unfavorably on the domestic market, and the American duty-paid price remained at its former level. Under these circumstances many domestic producers welcomed suggestions which now came from Cuban interests for the introduction of some sort of quota system between important sugar areas, with a view to stabilizing prices at a higher level. New York banks, with millions of dollars outstanding on bags of sugar that seemed unlikely to find a market, were especially eager that something be done to relieve the situation. Some large American corporations were informed that advances were at an end if the market for Cuban sugar was to remain uncontrolled. Leadership came from an imposing New York corporation lawyer, Thomas L. Chadbourne, who was himself heavily interested as the proprietor of two Cuban mills. Under Chadbourne's chairmanship a committee assembled in New York in August 1930 representing all the leading areas contributing supplies of sugar to the American market with the exception of Hawaii. On August 26, at the Hotel Biltmore, those present approved a "Gentlemen's Agreement," substantially along lines proposed by Dr. Viriato Gutiérrez.

By this agreement Cuba was to limit its exports to the United States for the coming year to 2,800,000 tons, on condition that domestic and insular producers would also limit production. On these conditions, moreover, Cuba agreed to segregate from its current crop at least a million tons to be marketed outside the United States over a

five-year period. Cuba was to take the lead in convoking an international conference of all non-American producers for the general stabilization of world sugar prices.¹⁵ This agreement proved not to be binding on the American sugar producers, who declined to sign on the ground that it tended to conflict with American anti-trust legislation. Domestic producers, moreover, felt that compulsion was necessary to insure the compliance of all. The Hoover administration had only voluntary measures to suggest as a remedy for excessive production. Nevertheless, the "Gentlemen's Agreement" was used as an argument by Chadbourne and his associates in securing Cuban legislation to implement plans for a more ambitious control of the world sugar market.

The legislative basis for what has come to be called the "Chadbourne Plan" was laid by the Sugar Stabilization Act, drafted in New York City, promptly passed by the Cuban Congress and promulgated on November 15, 1930. The principal provisions of this Act were as follows:¹⁶

1. 1,500,000 tons of sugar were to be segregated from the current crop and turned over to a new Sugar Export Corporation, to be marketed outside the United States and Cuba over a five-year period.¹⁷ This sugar was to be contributed by the various mills in proportion to their production during the last crop. Where they had already disposed of it, a corresponding amount was to be taken from their 1931 quota.

2. The segregated sugar was to be paid for at once by the issuance of up to \$42,000,000 in bonds. This bond issue, which eventually amounted to \$36,666,000, was to be secured in the first place by the sugar, bought at \$4 a bag; second, by a tax of 11 cents a bag on sugar produced in Cuba during the next five years, or to the end of 1935; third, by a further tax of 50 cents a bag for the succeeding five years, if necessary; and finally by the unconditional guarantee of the government.

3. The Act authorized the President to fix the quantity of any Cuban crop, provided there were international agreements between

¹⁵ For text of this agreement and Mr. Chadbourne's address to the committee, cf. Willert & Gray, August 28, 1930, pp. 427-8.

¹⁶ *Gaceta Oficial, Edición Extraordinaria*, November 15, 1930. A previous proclamation on October 15 called for voluntary contributions to a pool of 1,500,000 tons of sugar, to be used for segregation under the plan. On October 24 a further proclamation forbade the export of sugar pending further legislation. Decree No. 1414, *Gaceta Oficial*, October 24, 1930.

¹⁷ Actually this sugar unsold from the 1930 crop amounted to only 1,300,000 tons, and this was the amount ultimately provided for. The bulk of this segregated sugar belonged in the first instance to bank-controlled groups, which had misjudged the market. The burden of carrying this sugar was, however, shifted by the Act from these mills to the entire industry.

producers; to fix it during five years at the request of 65 per cent of the mill-owners who produced 65 per cent of the preceding crop; and to fix a quota for the United States irrespective of such requisites.

4. Until December 31, 1935, no sugar could be exported from Cuba without permit from the Export Corporation issued in conformity with the law.

Subsequent decrees designated the eleven original members of the Export Corporation, six Americans and five Cubans, with Chadbourne as president, and authorized a commission headed by Chadbourne to negotiate international agreements on behalf of sugar producers.¹⁸ In the following May, the Tarafa Sugar Defense Commission was dissolved and the Institute for the Stabilization of Sugar was established, all-Cuban in membership, to sign international agreements with binding effect on Cuba, and to act in other respects as the international personality for the organized sugar industry of the island. Discussion of the functioning of these institutions and of other aspects of the plan will be taken up at a later point.

From the first, it was hoped that the plan would embrace not only the American domestic and insular producers, but also the major sugar-producing areas of the world. Negotiations pursued by Chadbourne and associates during the winter of 1930-1931 were successful in bringing Java, Poland, Germany, Hungary, Czechoslovakia and Belgium into an international cartel with Cuba, which Peru (October 1931) and Yugoslavia (July 1932) later joined.

This International Agreement, signed at Brussels May 9, 1931 and promulgated in Cuba by decree of July 11, 1931,¹⁹ fixed definite export limits for each of the powers for the next five years, subject to modification upward only in case prices rose above 2 cents. In the second place, excess supplies from the several countries were segregated to be marketed over a period of years. The agreement provided in great detail for increases of quotas in case the world price rose to stipulated points above 2 cents so as to forestall a runaway market. Cuba accepted the principal sacrifices under the agreement, reducing the crop from 4,700,000 to 3,122,000 tons. The original allocation of quotas for the world market was as follows:²⁰

¹⁸ Decrees No. 1533 and 1534 of November 17, 1930.

¹⁹ Decree No. 794, *Gaceta Oficial, Edición Extraordinaria*, June 13, 1931.

²⁰ Cf. International Sugar Council, *Memorandum on the Aims and Provisions of the International Sugar Agreement* . . . (The Hague, 1933). For discussion of the Chadbourne plan,

	1931	1932	1933	1934	1935
Cuba (long tons)	655,000	805,000	855,000	855,000	855,000
Java (metric tons)	2,300,000	2,400,000	2,500,000	2,600,000	2,700,000
Germany (metric tons)	500,000	350,000	300,000	300,000	300,000
Poland (metric tons)	308,812	308,812	308,812	308,812	308,812
Hungary (metric tons)	84,100	84,100	84,100	84,100	84,100
Belgium (metric tons)	30,275	30,275	30,275	30,275	30,275
Czechoslovakia (metric tons)	570,817	570,817	570,817	570,817	570,817
Yugoslavia (metric tons)	15,000	15,000	15,000	15,000	15,000
Peru (long tons)	360,000	373,750	373,750	373,750	373,750

It was believed that since the Chadbourne countries then produced some 52 per cent of the world's supply of sugar and provided three-fourths of that available for the "open market," a decisive effect would be made on price levels. The insular possessions of the United States, the colonies and dominions of the British Empire, Formosa, the Dominican Republic and Mexico were important exporting areas not included in the agreement. Moreover, there were several dozen countries partially or wholly self-sufficient as to sugar which the agreement did not embrace.

In accordance with these agreements Cuba allotted marketing contingents as follows for the 1931 crops: United States, 2,577,000 tons; rest of the world, 395,000 tons; local consumption, 150,000 tons. There was no difficulty in finding a market for Cuba's world market quota.²¹ But consumption in the United States fell off at an alarming rate. Supplies from beet-sugar areas and Hawaii rose to a marked extent. On September 11, 1931 the Cuban government granted permission to hold over part of the American quota for export in the following year; and 567,000 tons of unsold sugar from the American quota thus remained in Cuba at the end of 1931. Prices, although more stable than in 1930, averaged 1.38 as against 1.49 cents.

At the same time conditions in the world market were seriously

cf. J. C. de Wilde, "Sugar: An International Problem," *Foreign Policy Reports*, September 27, 1933; C. L. James, "International Control of Raw Materials—Sugar," *American Economic Review*, September 1931, 21:481-97; Mikusch, *Geschichte der Internationalen Zuckerkonventionen*, cited.

²¹ Decree No. 186, January 31, 1931, *Gaceta Oficial*, January 31, 1931, *Edición Extraordinaria*. The decree explicitly stated that Cuba regarded itself bound by its pledge in the "Gentlemen's Agreement." And it deducted stocks in the hands of American refiners and importers to the extent of 223,000 tons more than an assumed normal year-end stock of 300,000 tons from the promised 2,800,000 in order to conform to it. The amount of sugar originally intended for segregation was reduced by approximately the same amount. Cf. Decrees 1414 of October 24, 1930, 1519 of November 13, 1930, and 111 of January 20, 1931, for circumstances under which these surplus stocks escaped export control. The quota of 395,000 tons for "rest of the world" was in addition to 260,000 tons of segregated sugar which are sold annually in the world market by the Export Corporation.

aggravated. European consumption was falling off tremendously.²² Far Eastern markets were demoralized by exchange problems and domestic unrest. While the Chadbourne countries had decreased their production by 800,000 tons, the world's total output had been rising one million and a half, chiefly in the beet-raising countries of the world. Not high prices but low ones were whetting the zeal of every nation to encourage domestic production by artificial devices. The first few months of the International Sugar Agreement, designed to lighten the load of surplus stocks, had resulted in their doubling from 2,049,000 tons to 4,143,000.²³

In this situation, the first public opposition to the Chadbourne plan appeared in Cuba.²⁴ *Colonos* especially complained at bearing the burden of a scheme which they had not sponsored and which meant that half their cane must go uncut. The Cuban government made use of this feeling to threaten withdrawal from the plan unless Cuba's world market quota was materially increased and unless Java reduced production. It was not until December 2, 1932, however, that prolonged negotiations resulted in a supplementary agreement between the Chadbourne countries.²⁵ This agreement increased Cuba's unsegregated export quota from 655,000 tons to 805,000, largely at the expense of Germany, which had found special difficulty in marketing its allotment. Java agreed to reduce its 1933 crop to 1,350,000 tons, as compared with 2,750,000 in 1931 and 1,500,000 in 1932. Java's market has been curtailed by the adoption of protective measures in British India, and the sudden appearance of several dozen small sugar mills in that country. Cuba agreed to reduce to 2,000,000 tons in 1933.

Meanwhile Cuba had manufactured its 1932 crop in the belief that 2,700,000 tons could find a market. In addition to the unsold sugar

²² Mikusch, "Das Internationale Zuckerabkommen nach dem neuesten Stande seiner Entwicklung," *Berichte über Landwirtschaft*, XVII, 635-38, 1933, cites the following reasons for consumption decline:

1. Decline in demand for luxury goods, as candy, fine pastries, use of substitutes.
2. General scarcity of money leading to narrowing of stocks, decline of speculative activities, vanishing of invisibles.
3. Increased excises on sugar to increase revenues to provide for unemployed.
4. Impediments to international trade, embargoes, exchange controls, etc.
5. Striving for autarchy.
6. Loss of resources of speculative operators.

²³ International Sugar Council, *Memorandum*, cited; Mikusch, *Geschichte*, cited, pp. 62-63, using metric tons, gives figures which show an increase from 2,330,000 at the beginning of 1930-1931 to 4,370,000 at its end.

²⁴ Cf. Leopoldo Freyre de Andrade, *La Intervención gubernamental en la industria azucarera Cubana* (1931). Andrade had been manager and was at the time a large *colono* of Central Jaronú. He was assassinated in 1933.

²⁵ Text in International Sugar Council, *Memorandum*. Appendix, Ia. Cf. Mikusch, "Das Internationale Zuckerabkommen nach dem neuesten Stande seiner Entwicklung," cited, XVII: 638-45 for an account of the negotiations.

from the previous crop, 1,956,420 were allotted to the United States;²⁶ 593,730 for export to foreign countries, in addition to the segregated quota; and 149,850 for home consumption. But the American contingent was again too large. The New York price, which was 1.15 cents at the beginning of the year, sank steadily until it reached an all-time low of .57 on May 31, 1932. Several large corporations had stopped grinding in March before their quota was reached in order to prevent further operating losses. In fact, Cuban mills in all produced 100,000 tons less than the quota. Yet at the end of the year the Export Corporation found a free stock of 826,224 tons of unsold sugar in the island. American consumption continued to decline, and the United States bought 325,000 tons more sugar from Puerto Rico and the Philippines than in the previous year.

The price collapse was checked partly by a favorable turn in the international negotiations, and partially by unilateral action in Cuba. Decree No. 812 of June 11, 1931 announced that the quota available for export to the United States in 1933 would be the amount actually exported there in 1932, less the entire Cuban carryover at the end of the year and less excess stocks in Atlantic and Gulf ports, taking 300,000 as normal. Decree 901 of July 2 transferred 115,000 tons from the current United States quota for shipment to other countries, in accordance with a transitional agreement reached by the Chadbourne countries at Ostend. On the same day, Machado made compulsory a pool originally formed by leading American corporations, which segregated 675,631 tons from the American market until December 31, 1932 or until the price of sugar rose to 1.50 cents for five consecutive market days. At the suggestion of the Institute this segregation was continued, by Decree No. 1386 of September 26, 1932, until June 30, 1933, with provision for marketing of the sugar in equal portions during the balance of 1933.²⁷

These measures brought the market out of its depths, without restoring remunerative prices. By October Cuban sugar reached 1.20 in New York, thirty points above the world quotation. It had been demonstrated that by rationing the United States Cuba could get "the benefit of its preference."

²⁶ Decree No. 344, *Gaceta Oficial, Edición Extraordinaria*, No. 9, March 26, 1932. The Export Corporation recommended 2,350,000; the Institute recommended 3,062,257. A referendum of mill-owners in March showed 61 representing 82 mills with a 1931 output of 12,750,557 bags in favor of the former figure; 75 representing 83 mills with an output of 8,779,332 bags in favor of the latter.

²⁷ Only about 561,000 tons were involved in the extension, as the rest had been sold for future delivery.

Moreover, the supplementary international agreement had borne fruitful results. For the first time in the 1932-1933 campaign a check was given to the mounting surplus stock. Cuba exported 500,000 tons more than it produced. Java prepared to cut its production more than half to about 600,000 tons; Germany was producing half as much as in 1929-1930. Poland and Czechoslovakia had made enormous reductions. The Chadbourne countries were producing 6,360,000 tons as compared with 13,034,540 in 1928-1929. But during the same time the non-Chadbourne countries had been increasing their production from two to two and a half million tons, and now produced more than 70 per cent of the sugar of the world.

Yet the International Agreement could not be regarded as a success in the summer of 1933. It had been devised professedly to relieve the world market of surplus stocks and to raise prices. Up to the summer of 1933, when the altered Cuban policy of the New Deal brought a fresh factor into the situation, these aims had not been realized. Until June 1933 the price of sugar had only once risen as high as it was when the Sugar Stabilization Law was enacted. As for surplus stocks, while the European parties to the agreement had disposed of their segregated quotas, Cuba and Java had even larger balances than when they started.²⁸ The first few months of the Chadbourne agreement coincided with such an increase in visible stocks that, even though there had been some relief, on August 31, 1933 they amounted to 650,000 tons more than they did on the same date in 1930.²⁹ This situation developed in spite of tremendous readjustments in the original production quotas, supplemented by various supplementary pool segregations and cartel devices in the several Chadbourne countries.

The weakness of the International Sugar Agreement of 1931 was that it embraced only the more necessitous countries, those exporters of sugar which were most dependent on the world's free markets. Had it included countries which produce but do not export large quantities of sugar, it seems highly probable that the sharpness of the fluctuations in prices might have been averted. But their non-inclusion, as well as the frustration of the Chadbourne plan, must be attributed to the rapid strides which neo-mercantilism has been making in most of the countries of the world. The principal consuming markets have apparently preferred to buy domestic sugar at great expense than to

²⁸ Cf. *International Sugar Council Doc. C. D. 242*, "Memorandum on the Aims and Provisions of the International Sugar Agreement" (The Hague, 1933).

²⁹ B. W. Dyer & Co., statistical supplement to *The Sugar Index*, February 13, 1934.

depend on external supplies. The lower prices have fallen, the more eager most countries have been to raise tariff barriers and disgorge subsidies of various sorts in favor of domestic producers.³⁰ Thus the very failure of the Chadbourne plan in its price objectives produced fresh impetus for further opposing forces.

It is natural to suppose that there is a causal connection here—that had the Chadbourne plan not restricted sugar production in certain countries their position with respect to the rest would now be a great deal better than at present. This connection, however, can in no way be definitely shown.³¹ Would prices have fallen less rapidly without the Chadbourne plan? No one can suppose that.³² Would there have been less economic nationalism in the world without it? Is it because of the plan, for instance, that British India has been fostering the rise of new sugar factories? This seems exceedingly doubtful. It may be that the adoption of the plan had a psychological effect on non-participating groups, steeling them to resort to political means in resistance. This is the most that can be said. In the eyes of Cuban public opinion, the Chadbourne plan suffered from the fact that it had originated with New York financial interests. Nevertheless, given the international economic position of the sugar industry, the policy of seeking to control sugar by international agreement must be regarded as sound. As Mikusch puts it: "During the last ten years in the sugar industry selection has been determined not by the degree of efficiency but by the degree to which an industry has been fostered by its government." The original Chadbourne plan was, however, based on serious miscalculations, and aroused hopes which could not be fulfilled.

3. Cuban Administration of the Quota System

It remains to examine the quota system in Cuba as affected by the Chadbourne plan, and the effects of its operation on various interests.

In the first place it must be noted that the institutions set up by the Sugar Stabilization Act to speak for the sugar industry of Cuba are not elected by the participants in the industry. They are designated by the President. Some attempt is made to select representatives of

³⁰ Austria adopted a sliding scale of sugar duties to rise automatically as sugar fell in price.

³¹ Cf. Mikusch, *Berichte über Landwirtschaft*, cited, April 1933; Mikusch, "Wären Kuba und Java ohne Ernteeinschränkung in einer besseren Lage?" *Die Deutsche Zuckerindustrie*, October 28, 1933, pp. 839-41; also cf. reasoning of Rowe, *op. cit.*, pp. 6-7, on effects of earlier restriction, as well as C. J. Welch, "Has Cuban Crop Restriction Caused Others to Expand?" *Commerce & Finance*, May 16, 1928, p. 1092.

³² On the other hand, would they have fallen further? This seems unlikely. But they would probably have remained at the minimum levels longer.

different ownership groups, and one place in the Export Corporation and two in the Institute are filled by *colonos*. The policies of both bodies are subject to presidential veto; and they have not been wholly indifferent to the public opinion either of the industry or of the country as a whole.³³ Thus both institutions are relatively autonomous in their functioning. The Export Corporation performs its administrative duties with a high degree of efficiency.³⁴ For the first time the quota system has been administered in accordance with rules formally drafted and published and strictly enforced.³⁵

Quotas were allotted in the 1931 crop on the basis of 63.08 per cent of the average actual production of various mills for the two preceding years. The same mills continue to receive quotas, whether they use them or not. The assumption is that they are in condition to grind, that they have not been dismantled, and the Export Corporation may require them to grind some cane to prove it. Quotas since 1931 have been assigned on what was thought to be a more scientific basis. A detailed census was taken in 1931 of cane acreage, varieties of cane, and yields, embracing each mill and *colono*. Inspectors were sent into the fields to check the accuracy of returns made to questionnaires.³⁶ The results of this census have been given a weight of 50 per cent—the average for 1929 and 1930 constituting the other 50 per cent—in determining quotas for 1932 and 1933. In 1934, however, this basis was employed only for mills which had a quota in excess of 60,000

³³ The Cuban members of both bodies, for instance, resigned after the revolution of August 1933. In filling the places on the Export Corporation subsequently, the Grau government received a panel of nominees from *hacendados* and *colonos*.

³⁴ Critical comments made on the use of New York as the selling point for the Corporation sugar have recently brought about the curtailment of the selling agency formerly maintained there. Other criticism as to extravagance in travelling allowances do not seem to be fully justified.

³⁵ Quota allocations in 1927 and 1928 were made in the office of the Secretary of Agriculture, and were subject to considerable pressure. Analysis of a constant sample of mills including all identified as American at present indicates that the mills in the sample were allotted the following proportions of the total crop quota in various years:

Year	Per Cent
1926	71.2
1927	64.8
1928	68.3
1931	67.75
1932	67.6
1933	67.5
1934	61.7

These computations suggest that allotments were highly consistent except in the years 1927 and 1934. Cf. p. 241 for an explanation of the drop in the latter year. Rowe, *op. cit.*, pp. 22-23, comes to the conclusion that the assessments from 1926-1928, while more liberal to Cuban mills, did not discriminate between American mills and that discriminations were of very light importance.

³⁶ Cf. Cane Census Act of May 14, 1931.

bags in the preceding crop. Other mills were designated as "free" and entitled to grind up to 60,000 if they could.³⁷

Regulations provide for two kinds of transfers of quotas, which may take place only with the knowledge and approval of the Corporation. In the first place, mills which do not wish to grind all or part of their quota are permitted to dispose of their privilege before a given date. In 1931 this transfer could be made freely, unaccompanied by the sale of cane covered by the original quota, provided no hardship was worked to *colonos* of mills in question.³⁸ This enabled mills with insufficient cane to fill their quotas to obtain income by the sale of their privilege to others.

Ostensibly to provide more adequate protection for *colonos* and to guarantee that a portion of their cane would be ground, the 1932 and subsequent rules have provided that production quotas may not be transferred without cane. These provisions would seem to check any tendency for sugar production to be shifted away from the areas it occupied in 1931 and to prevent its concentration in large capacity mills. On the other hand, it has been argued in a recent memorandum from Santa Clara mill-owners that the tendency is just the other way. Mills unable to make their quota because of inability to keep up their cane zones must now surrender unutilized quotas without compensation to more fortunate *centrales*.

There are always mills which cannot or do not wish to produce their quota and are unable to transfer it under the rules. In 1931 and 1932 the resulting unutilized quota was redistributed more or less by bargaining power and pull, with preference to mills in the same province or belonging to the same interest. Under the 1933 and 1934 rules, however, unfilled contingents have gone into a "pool of quotas," to be distributed between mills in predetermined classes. In 1933 mills were classified in accordance with their original production quotas. The pool was to be distributed to each in turn, commencing with mills under 50,000 bags, until the 1932 quota for each was reached.³⁹ In 1934, however, distributions were made only to the quota mills, exclusive of those given the free crop of 60,000 bags. There were approximately 2,500,000 bags divided up in successive distributions, largely to mills at the eastern end of the island.⁴⁰

³⁷ Cf. pp. 14, 299.

³⁸ Decree No. 296, February 28, 1931, *Gaceta Oficial*, March 2, 1931.

³⁹ Actually there were only 75,538 bags to divide up in this way.

⁴⁰ *Colonos* are expected to grind cane where they ground it in 1929 and 1930. They are permitted to transfer to another mill under certain conditions.

In the second place, mills may also transfer their marketing quotas. Each mill is given certificates covering its sugar as warehoused or mortgaged, which distribute its output proportionately between the different markets into which the total quota for the island is divided. Mills lacking facilities for marketing local consumption sugar, for instance, may trade their quota for this market to others in return for sugar that may be sold in the United States or Europe. Other sugar is similarly transferred in order to make up cargo lots; and some mills, such as those connected with refining interests, find it to their advantage to concentrate on a single market. A small business has sprung up of brokers who bring buyers and sellers of market quotas together.

An annual feature of the administration of marketing quotas has been the tendency to overestimate the requirements of the American market. As a result there is a special carryover from each crop, which depresses the market. By the first of 1933, this non-Chadbourne carryover amounted to 826,224 tons, whereas Cuba had disposed of only 510,000 tons of Chadbourne sugar.⁴¹ During 1933 Cuba exported 400,000 tons more than it produced, and reduced its surplus stocks for the first time since they rose in 1930. Cuba, however, has not yet been able to rid itself of all this abnormal carryover, the result of excessive optimism in the fixing of the first year Chadbourne quotas. Eighteen per cent of the American quota for 1934, for instance, was segregated on March 7, 1934⁴² for shipment after this year or when the Corporation indicates. It appears that it would have been more in accord with the Chadbourne philosophy had an amount of sugar for the American market been turned over to the Export Corporation in the first place for sale over a prolonged period of time. It is not necessary to regard all carryovers as abnormal, as Cuba was inclined to do during the early stages of restriction. When excessive, however, they handicap the effectiveness of the quota system.

It has been a matter of unfavorable comment in Cuba that one of its most powerful institutions—the Sugar Export Corporation—is under American control. It may be pointed out that the American

⁴¹ We have remarked that in 1932 a "pool" was formed to relieve prices by taking this sugar temporarily off the market. In 1933 there was a further pool, arranged by some of the large American producers, which was granted marketing priority by Machado ahead of sugar to be produced in 1934. This priority was generally regarded as unfair to other producers and was abolished by the Grau administration. The sugar in question was penalized by the same decree, which provided that it could not be exported at all except at a price of \$4 a bag or more. This provision was repealed by Decree No. 718, March 7, 1934, at the recommendation of the Export Corporation.

⁴² Decree No. 717.

majority is in conformity with the distribution of ownership in the sugar mills. If the *colonos'* share in the ownership of land and crops is taken into account, however, the American preponderance appears to be unjustified. In any case, division in the Export Corporation is rarely along strictly national lines. A more serious feature of the preponderant American membership has been the fact that many Americans regard themselves as limited by instructions, or lack of them, from New York. It is charged that some of them have never appeared at a meeting of the Corporation, but have been represented by proxy, and that at times as many as five proxies at the Corporation board are voted by a single individual. It is difficult to see how this sort of participation in Corporation affairs brings to bear on them the full degree of individual attention and responsibility which membership should involve. At the present time, moreover, the American members are all closely identified with one or two out of the numerous groups of interests engaged in producing sugar, and these interests are those whose recent financial experience has been especially disastrous. The Commission suggests that the Corporation be reorganized to meet these criticisms.

No serious fault can be found with the business management of the Corporation. It took over 1,300,000 bags of sugar under the terms of the Sugar Stabilization Law at \$4 a bag (1.23 cents a pound) slightly below the price prevailing in the market and higher than they have averaged since the law was enacted until the American tariff reductions of 1934. It has sold its annual quotas at prices as good as or better than the average annual prices in the London market. This reflects no little marketing skill.⁴⁸ The losses incurred by the Corporation on its sales have been inevitable in view of the optimistic price at which its sugar was bought. Moreover, it has compensated for these losses in part by profits on the purchase of Sugar Stabilization bonds in the market at about 75 per cent of par value. The activities of the Corporation and Institute have been expensive, and seem likely to amount to a million and a half dollars by the end of 1935. Part of this is covered by the proceeds of \$666,000 of bonds issued to provide working capital for the Corporation. Eventually, however, it must all be paid for out of revenues devoted to bond redemption. Unless world sugar prices double in 1935 it seems likely that the Corporation will fail by approximately \$8,000,000 to complete redemption of its bond issue

⁴⁸ The 1931 quota was sold at an average of 1.23063 cents when the average warehouse price in Cuba was 1.13; the 1932 quota brought .82029 as compared with .72; in 1933 incomplete reports show sales at an average price of .85732 as compared with an estimated .86 cents.

by the time it has marketed all of its sugar at the end of 1935. The present 11 cents a bag tax, which does little more than cover bond interest and expenses, amounts to only \$1,500,000 at present production levels. Hence, either this tax will need to be continued for five years, or the 50 cent tax stipulated in the original law must come into effect for 1936 at least, to liquidate the bonds.

The financial features of the Chadbourne plan have been freely criticized in Cuba. The striking effect of the original bond issue, based on segregated sugar, was to relieve the banks of the burden of existing advances secured on the unsold sugar, and to furnish them with more negotiable securities in place of many of their sugar loans. The managing banks, moreover—the Chase National and National City—have been able to earn good commissions on the handling of bonds and related financial transactions. On the other hand, it may be argued that had the banks not been relieved of sugar loans in 1930, they would have been much more hesitant in extending credit in Cuba to finance subsequent crops. It seems reasonable to suppose that, while the segregation of sugar has cost the mill-owners of Cuba and their *colonos* several million dollars in Chadbourne taxes and possibly as much for warehousing, some of them would have lost even more heavily from the complete demoralization of the market had the sugar been forced into the market for what it would bring. True, such a situation might have precipitated revolution earlier in Cuba. The balance cannot be struck between cash items and social and political imponderables.

4. *Sugar and the New Deal*

Under the Roosevelt administration the United States has adopted a new policy with regard to Cuba. This policy rests on the belief that Cuba is an important market for American goods and that this market will thrive only if Cuba acquires sound social, economic and political structure. In view of the great shrinkage in American exports to Cuba, the rehabilitation of the Cuban sugar industry consequently became an important item in American policy. Even before this policy could assume effective form, its anticipation reacted favorably on the sugar market. New York prices rose steadily from .86 cents at the first of March to more than 1.50 cents from July to September, and a marked spread developed between the New York and the London price for sugar.

One of the first attempts to deal with the sugar industry was the

effort to negotiate a voluntary marketing agreement between representatives of the principal areas contributing to the American market. This procedure was legalized by the Agricultural Adjustment Act, and hearings took place during the summer of 1933 with a view to bringing about a type of voluntary control which would be satisfactory to all concerned. The agreement finally reached was imperfect in many respects and did not deal as generously with Cuba as the Washington administration had hoped. It was discarded at the end of September 1933, however, at the insistence of Secretary Wallace, on the ground that it did not sufficiently protect the interests of American beet-growers as distinct from the sugar manufacturers.⁴⁴ An entirely fresh approach to the problem was sought, and in the spring of 1934 the Agricultural Adjustment Act was amended by the Jones-Costigan Act, which placed full control of the sugar industry of the United States and its possessions in the hands of the government.

The principal features of the Jones-Costigan Act ⁴⁵ are as follows:

1. Sugar is declared a basic commodity under revised terms of the Agricultural Adjustment Act.

2. The Secretary of Agriculture is authorized to fix quotas in excess of which no sugar may be imported, transported or processed in any year from the Virgin Islands, the Philippine Islands, the Canal Zone, Samoa, Guam, Cuba, Hawaii and Puerto Rico.

3. A quota of 1,550,000 short tons is fixed for the continental beet-sugar area and 260,000 for Louisiana and Florida.

4. Other quotas are to be based on the amounts imported into the United States during the three most representative years from each region, 1925-1933, as compared with the estimated current consumption requirements of the United States. In case the estimates are excessive, deduction is to be made pro rata from the non-continental quotas. In case either estimates or requirements run over 6,452,000 short tons, 30 per cent of the excess is to be allotted to continental producers before quota increases are granted to insular producers.

5. "Direct consumption sugar" is defined as any sugar manufactured or marketed in the United States "for any purpose other than to be further refined." Cuba is allowed to bring in not more than 22 per cent of its total quota in sugar as thus defined. Other insular

⁴⁴ It is probable that the American recognition policy with respect to the Grau régime was also a factor in preventing a favorable agreement. Secretary Hevia made an unsuccessful attempt in November to arrange a simplified voluntary quota plan.

⁴⁵ 73rd Congress, H. R. 8861, approved May 9, 1934.

areas may introduce such sugar up to the amount in their largest year for the three-year period, 1931-1933.

6. A processing tax not to exceed the amount by which the President may reduce the net duty on Cuban sugar is levied on direct consumption sugar resulting from the first domestic processing. The proceeds of this tax are to be paid to domestic beet and cane producers to compensate for restricted acreage, and for the benefit of agriculture in the insular possessions.

Shortly after the passage of this Act, the A.A.A. announced the following quotas:

<i>Area</i>	<i>Quota</i> (short tons)	<i>Quota</i> (long tons)
Continental beet areas	1,556,166	1,389,434
Louisiana and Florida	261,034	233,066
Hawaii	917,000	818,750
Puerto Rico	803,000	716,964
Philippine Islands	1,015,000	906,250
Cuba	1,902,000	1,698,214
Virgin Islands	5,000	4,464
Full-duty areas	17,000	15,178
Total	6,476,200	5,782,320

At the same time that the Act was passed, President Roosevelt availed himself of his tariff reduction powers and ordered the basic tariff on sugar lowered from 2.50 cents for 96-degree sugar to 1.875. This automatically reduced the duty against Cuban sugar from 2 cents to 1.50. Both the Act and the tariff reduction went into effect on June 8, 1934. Philippine sugar in excess of the quota for 1934 had already been shipped to the United States. Puerto Rico was the principal competitor left to Cuban sugar, and its quota was largely filled. The New York price for Cuban sugar, therefore, advanced rapidly to about 1.70 cents and freight. Both the quota and the tariff reduction are believed to have been discounted in advance by price changes.

Meanwhile, negotiations had been proceeding between the United States and Cuba since May 1933 looking toward a general revision of the reciprocity treaty. These negotiations had been delayed by a revolution in Cuba and the American recognition policy, but finally resulted in a new trade agreement signed at Washington on August 24, 1934, which became effective on September 3. By this agreement the United States increased the preference enjoyed by Cuba as to sugar duties, so that the rate on 96-degree raw sugar from Cuba became

.90 cents per pound. Cuban sugar was also indirectly benefited by a reduction of the duty on Cuban rum from \$4 to \$2.50 a gallon.

It is by no means certain that Cuba can obtain the full benefit of these tariff changes and of its share in the quota system. But assuming that it will, the probable monetary advantages which have been granted Cuban sugar producers by the Roosevelt administration may be calculated.⁴⁶ In the first place, the Jones-Costigan Act enables Cuba to sell about 300,000 short tons more in the American market than it was able to sell in 1933. This amount is still 1,100,000 tons less than Cuba sold the United States on the average from 1927-1930. Moreover, the plan represents an increase of 1,400,000 tons on behalf of American domestic and insular producers over their average for 1927-1930. Nevertheless, Puerto Rico and Philippine imports have been reduced by 600,000 tons as compared with 1933. And without such reduction imposed by the quota Cuban sales would have presumably been that much less. On the basis of the average price in New York for the 1933 crop, Cuba's direct advantage from the quota plan may be computed at about \$6,000,000 over last year if account is taken of its increased exports, or at about \$13,000,000 if the excluded insular sugars are taken into account.

In the second place, the reduction in the general sugar tariff operative on about 77.5 per cent of Cuba's 1934 quota may bring a benefit in the saving of duties this year of about \$11,000,000 and in subsequent years of \$14,000,000.

In the third place, the new trade agreement providing for a second reduction in the Cuban sugar duty computed on about 46 per cent of Cuba's 1934 quota may bring a benefit this year of \$10,500,000, with a chance to secure \$22,800,000 in later years.

Whether the introduction of the quota system, by reducing supply to the level of demand, has had indirect effects on the level of sugar prices in the United States is a doubtful question.

On the other hand, Cuban producers interested in the export of "direct consumption" sugar to the United States have been injured by the limitation of their share in the total Cuban quota.⁴⁷ Moreover, at least one regulation of the A.A.A. does not work to Cuba's advantage. This is the provision that quotas shall be computed in the

⁴⁶ This discussion does not attempt to appraise the benefits of the new trade agreement as a whole to the respective countries. Presumably many of the provisions will be of mutual advantage to consumers. Increased exports to Cuba made possible by lower duties will probably add to the revenues of the Cuban government. For discussion of devices by which Cuba is seeking to obtain the full benefit of the reduced sugar duties for its producers, cf. p. 295.

⁴⁷ For further discussion, cf. pp. 309-311.

case of Cuba not from the time of physical entry of sugar into the United States but from the time when it pays duty. This may take place after it has been held in the warehouse several months. It adds considerably to the uncertainties of Cuban shippers in seeking to adjust their shipments to the available American demand. It is impossible for administrators of sugar control in Cuba to determine from their own data just how much exported sugar becomes an "import" into the United States under the quotas, or to guarantee that a given shipment may not exceed it.

These calculations have necessarily been hypothetical. They tend to show that the new American policy is bringing a benefit of from 25 to 32 million dollars this year and may result in an advantage of nearly 50 millions if Cuba secures the same quota in 1935. This is more than all of the Cuban sugar sold in the United States has brought in any year since 1930; more than its entire crop brought in 1933.

Thus the Cuban sugar industry has been given a reprieve by the successive acts of the Roosevelt administration. It is not too much to say that had production continued to expand on American territory for a year or two longer at its recent rate, no room at all would have been left for Cuban sugar in the American market. Because of this uncertainty as to the future, Cuban mills have carried on virtually no dead season work at all during the past several years. In the summer of 1934 fields were so depleted that many mills could not meet the quotas allocated them by the government.

During the past three seasons the excess cane supply was so large that it would have been futile for mills to do much cultivating, and owing to uncertainty as to the future there has been relatively no new planting. Meanwhile hurricanes in some parts of the island have destroyed cane fields; excessive rains have destroyed others; some cane has grown so dry and choked with weeds that it cannot be cut at all and has to be burned. The Export Corporation computes that 58.06 per cent of the cane existing in 1932 has been lost. As a result of this combination of factors, the fields are so depleted of cane that it is now necessary for every mill in Cuba to embark on a full program of cultivation and replanting if it is not to fall hopelessly behind its quota during the next two years. It is improbable that Cuba can produce more than two million tons in 1935.

Nevertheless the new American sugar policy does not guarantee immortality to the Cuban sugar industry, nor even permanent recovery from its disorders. The Jones-Costigan Act expires by its own terms

in May 1937 and may be terminated "whenever the President finds and proclaims that the national economic emergency in relation to agriculture has been ended." Moreover, the increased preferential to Cuban sugar in the new reciprocity agreement expires automatically with the quota system. The Commission believes that the treatment accorded Cuba under the quota system and the tariff reductions, while generous, should be given a more permanent legislative basis if possible. On the other hand it recognizes that the readiness of any American administration to perpetuate these arrangements will depend in great measure on the use which Cuba makes of the benefits which it has received.

CHAPTER XII

SOCIAL ASPECTS OF THE SUGAR INDUSTRY

The profound effect of recent developments in the sugar market, as modified by world conditions and attempts at control, can be understood only after an analysis of the internal structure of the Cuban sugar industry. Each separate *central* can be viewed from a number of different points of view: first, as the center for the organization of production; second, as the determinant of occupation, habitat and mode of life for perhaps three-quarters of a million people; and third, as the nucleus of a complex system of personal relations, as well as legal rights and obligations.

The organization of production is decisive for all the other aspects. This organization is substantially the same for all sugar mills in Cuba, large or small, Cuban or North American in ownership. The central feature is the enormous mill building with one or more lofty smokestacks towering over the surrounding plain. Here the cane is ground and the sugar extracted. There are adjacent buildings for warehousing sugar, for repair shops, and for other subsidiary operations, surrounded by a *batey*—an enclosure containing houses and barracks for employees, laborers and the supervisory staff, stores, sometimes a church, one or more schools, and frequently recreational facilities of different kinds. Outward from the mill extend the tentacles of its private railway system, over lands owned by the mill and into areas which it leases or controls for cane raising. Along the railway are cane dumps or switches to which cane is brought from the fields in ox-drawn carts or tractors for loading. Roads interweave through the cane fields, supplementing the railways for transportation. At various points over the entire estate there are *colonia bateyes*—houses and stores for the *mayorales* who supervise field work, for *colonos* (cane planters), and for the field workers. Human activity and conditions of life throughout the cane zone fall into patterns determined in broad outlines by the cycle of the crop year, the alternation of the grinding and harvesting season with the “dead” season.

1. *The Technique of Production*

During the last quarter of a century all the mills in Cuba have come to be of the basic type common to all countries producing raw centrifugal sugar from cane. The dominating fact is that, once the mill starts to grind, it must be fed with a continuous supply of cane to keep it in nearly uninterrupted operation until its quota or supplies are exhausted. The cane is cut by hand, thrown into carts, and hauled, in some cases to the mill, usually to the cane dumps. Here mechanical hoists lift the cane in cars and commence a continuous power-driven process which continues until the sugar is bagged. Day and night through the harvesting season an unending procession of cars dumps the cane onto carriers which feed directly into grinding mills. A few older *centrales* still have the nine-roll tandem with a single crusher which was up-to-date in 1905. The majority have fifteen, eighteen and twenty-one roll tandems, equipped with one or more two-roll crushers and sometimes with rotating shredding knives. The cane passes through these mills at low speed under high pressure, being mixed with boiling water as it moves to break down cell structure and wash out all the sugar from the cane. The resulting fibrous mass—*bagazo*—is carried to the furnaces and is sufficient to provide the entire fuel supply for the mill once grinding is under way. Most of the mills use their fuel to generate steam power, but about a dozen generate electricity to drive the mills. All mills generate some electricity for supplementary power and light.

The cane juice which has been extracted is mixed with lime and conducted to heaters and settling tanks, in which insoluble solids settle at the bottom and where a scum is removed. After this process of defecation the juice enters a series of multiple effects in which evaporation takes place in vacuum. When the syrup is evaporated to a certain point some of it is introduced into the vacuum pans or crystallizers. After crystals have formed, additional syrup is introduced and the original seed crystals are built up under steam heat to the desired size. The resulting mixture—*massecuite*—is dropped through mixers, which keep it from solidifying, into centrifugal machines, where the molasses adhering to the crystals is thrown off at high speed. The contents of the centrifugal are then discharged directly into sugar bags. The final molasses and impurities intercepted earlier are collected and run through a second or third time to remove the remaining sugar. At every stage of the process sampling takes place for the purpose of

chemical laboratory control. Indeed, the modern sugar mill is as much a product of industrial chemistry as mechanical ingenuity.

The larger and newer mills are believed to be technologically more perfect and to produce more sugar from the sugar content of the cane. There is now from 90 to 95 per cent extraction as compared to the 80 per cent crop of 25 years ago, but technological efficiency has been by no means synonymous with economic efficiency.¹ The mill, however, has received the greatest attention in the constant efforts made, until recently, to increase the efficiency of production. Managers of mills have as a rule been selected in part for their mechanical training and experience. No effort has been spared to make mills large and powerful, to balance their different units so that all may work with full efficiency when carrying a capacity load of cane. The quest for reduced costs meant in the 1920's the expansion of mill capacity to procure low unit milling costs.

Less attention has been paid to the technique of cane cultivation. Cane is grown on what is called an extensive system of cultivation, as contrasted with the intensive system prevalent in Hawaii, Java and Puerto Rico. That is, much less cane is grown per acre,² very little of it is irrigated or systematically fertilized,³ and it is neither plowed deeply as a rule nor cultivated as intensively as in many countries. The processes of cultivation over the greater part of Cuba are substantially the same as those which prevailed in plantation days. One important reason for the character of Cuban cultivation has been the relative abundance of land. Another factor has been that cane grows in most Cuban soils from ratoons year after year without replanting and without rapid diminution of sugar content. Cane was cut in 1934 from a few plantings made before the revolution of 1895; and most parts of Cuba can show cane that is fifteen years old. On the average, only about 15 per cent needs replacement annually to maintain normal yields of around 40,000 *arrobas* per *caballería* (15.2 American tons per acre).⁴ The adaptability of the Cuban soil and climate to ratooning

¹ None of the changes of the last 35 years in sugar technique begins to compare in importance, even for extraction, with the work of Derosne, Rilieux, Stewart and MacDonald in developing the basic processes which replaced the Jamaica train of open kettles and the curing house which went with the plantation.

² In 1926-1927 Cuban fields yielded 36.6 metric tons per hectare, as compared with 125.5 in Hawaii, 105.7 in Java and 102.3 in Puerto Rico.

³ The cane census of 1931 showed only 649 *cabs* of cane land both irrigated and fertilized, 666 irrigated alone and 5,640 fertilized. These areas compared with a total of 87,535 *cabs* of mature cane.

⁴ The U. S. Tariff Commission found an average yield in 1930-1932 of 17.80 tons per acre on *colono* land, 17.53 on administration. Preliminary estimates for 1934 indicate an average

has meant that it was an economy to depend on lower yields than might be procurable, at a saving of planting costs.

As early as 1862 a Cuban planter published a critical essay on cane cultivation, urging deep plowing and irrigation, which has become the basis for field methods in Java and elsewhere.⁵ It now appears that on certain soils in Cuba these methods may produce very important results. Irrigation, however, is not everywhere feasible; some soils are so shallow that they are definitely injured by plowing more than six inches, and some cannot be improved by fertilizer. On the whole, it seems probable that the most significant improvements available to Cuba will come from more careful selection of soils for cane growing and from improvement in cane varieties.⁶ Soil study is a very recent development in Cuba. Proprietors of the older mills used rule-of-thumb methods, based chiefly on the character of natural vegetation, to select land for clearing for cane. When the eastern provinces were opened up, these methods for the most part were abandoned. Virgin forest of all kinds was burned down and cane planted everywhere. The first crop and early ratoons bore heavily, but a good deal of this land has shown a tendency to fall off rapidly in productivity, especially on replanting. Hence, migration from worn-out soils is no longer entirely or even chiefly a problem for the western provinces. More careful soil selection will probably accompany the readjustment of the sugar industry.

According to the cane census, 83 per cent of the cane in Cuba in 1931 was still *Crystallina*, with an average yield of 43,400 *arrobas* of cane to the *caballería*. The next most popular variety, P.O.J. 2725, was planted on 7.2 per cent of the area and showed an average yield of 84,082 *arrobas*. Crop restriction has undoubtedly greatly delayed further introduction of new types of cane. During the period 1926-1930 there was great awakening of interest in Cuba with respect to agricultural methods. It seems certain that when new plantings are resumed on a considerable scale, cane varieties of high tonnage will be planted and increased attention will be given to the details of their cultivation. The result will be a consolidation of cane zones more closely about mills, with savings in transportation and costs of supervision.

yield for the island of only 34,000 *arrobas* (12.87 short tons), due to poor condition of the fields.

⁵ Alvaro Reynoso, *Ensayo sobre el cultivo de la caña de azúcar* (Havana, 1862; reprinted Havana, 1925). Col. José Tarafa printed an edition of 5,000 copies of this book for free distribution.

⁶ This development has undoubtedly been delayed by the various measures of control.

2. *Latifundia*

A striking feature of the extensive system of cultivation coupled with the emphasis on vast milling capacity has been the tendency for each sugar mill to bring enormous areas of land under its control. Computations made for the Commission indicate that in 1933 approximately 250,000 *cabs* of land, 30 per cent of the area of Cuba, were owned, leased, or controlled by the sugar mills.⁷

While the greater part of this land has been cleared of virgin forest and most of it has been planted with cane at one time or another, not nearly this amount of acreage has ever been in cane at any one time. At the maximum it appears that not over 103,000 *cabs* of cane have been growing at once.⁸ A recent estimate by the Sugar Export Corporation concludes that 58.06 per cent of the cane existing in Cuba in 1932 has been lost by drying up, cyclone, and failure to replant or cultivate. This implies that there are approximately 39,000 *cabs* of cane now in Cuba.⁹ The large surplus of land holdings by sugar mills has been an integral part of the policy of extensive agriculture and mill expansion. Companies have ventured on untried land and have accumulated land reserves to turn to in case of soil exhaustion or for further expansion. All revolutionary sectors have made criticism of *latifundia*¹⁰ one of their leading points. While many Cuban mills have unused land, the largest blocks of it are in the hands of North Americans who own, lease, or operate approximately 175,000 *cabs*.¹¹ No aspect of the American penetration of Cuba has been so painful to national feeling.

⁷ These figures are based on reports made to the Secretary of Agriculture, Commerce and Labor for the 1933 *zafra*, supplemented as to active mills which did not grind in that year by earlier returns. This total does not necessarily include all of the land which may be owned by independent *colonos*. Especially in the western provinces, many of these occupy land which can not be regarded as "controlled." These figures compare with reports to the National Statistical Commission in 1927-1928 which showed 168,000 *cabs* owned by mills, 60,000 leased and 43,000 owned by planters, the total being 271,000 *cabs*.

⁸ This was the figure reported by the Cuban Sugar Club for 1927-1928. The cane census of 1931, which some think too generous, reported 93,198 *cabs*, including new plantings. Computations made for the Commission on the basis of the 1933 *zafra*, with corrections for non-reporting mills, show approximately 62,000 *cabs* of cane in that year.

⁹ *Memorandum of Sugar Export Corporation, June 15, 1934.*

¹⁰ The problem of *latifundia*, in the sense of enormous tracts of land owned by a single individual or company, is of course not peculiar to the sugar industry; nor are all of these large holdings the property of North Americans. Approximately 250,000 *cabs* of land are held by a comparatively few proprietors of cattle ranches, most of whom are Cubans. This is believed to be about twice as much land as would be required for the stock in Cuba under the best methods of cattle-raising. The excess is not so great under prevailing methods, and it is the sugar industry, therefore, which controls the largest acreage of unutilized land. There are in addition a few extensive tracts held on speculation without productive use.

¹¹ This compares with an estimated 190,000, exclusive of Canadian properties, in 1927. Jenks, *Our Cuban Colony*, cited, p. 287. The recession is to be accounted for partly by the

Now that it seems certain that Cuba must remain indefinitely within a crop limit of 3,000,000 tons, it is evident that a large proportion of existing sugar estates are unnecessary for mill purposes. It is computed that 52,000 *cabs* are adequate to supply all the cane that may be milled, even without improvement in methods of cultivation or in cane varieties. In operating a mill, land is also needed for roads, *bateyes*, pastures, gardens, new plantings, and occasionally to protect water supply or fulfill some other objective peculiar to location. Nearly as much land is needed for these purposes as for cane under present conditions. This means that the sugar mills of Cuba can operate at their present efficiency with about two-fifths of the land which they now own, lease or control.

3. *Colono and Administration Field Systems*

The predominating mode of organizing agricultural activities in Cuba is what is known as the *colono* system, which in various forms is widespread in sugar-producing countries. Under this system the agricultural risks, with the exception of those involving variability in the sugar content of the cane, are assumed by a cane planter who undertakes to sell his cane to the mill in return for a stipulated portion of the raw sugar produced from it. This system arose in Cuba in the eighties and nineties, partly as a means for providing field labor, and partly as a device to relieve mills of financial burdens in the period of transition from the plantation system to modern factories. The relations of *colonos* with the *centrales* have always exhibited great diversity, and most mills have at all times raised some cane for themselves under what is known as the administration system. Moreover, while some *colonos* grow cane on their own land, the larger number use land owned by or leased on behalf of the *central*. The degree to which these different field systems prevail on any given estate seems to depend chiefly on original conditions of land tenure and the availability of cane. In the older provinces of the island there were a great many holdings, and with the reorganization of the sugar industry after the 'Ten Years' War the owners of many of these planted cane to secure a cash crop. Many *centrales* are the result of a concentration

closing-down of mills and partly by the lapse of leases. The above figure has been computed from the 1933 report on the *zafra* by the Secretary of Agriculture, Commerce and Labor, whereas the 1927 figure was reached from reports in financial manuals, supplemented by tax assessment returns published by the Cuban Secretary of Treasury.

about a single producing unit of a number of old plantations. Many plantation owners thus became *colonos* to large *centrales*. On the other hand, where the *central* developed out of a plantation, it already had some cane land at its disposal which it was usually convenient to operate under the administration system. Moreover, many mills maintain some administration cane for experimental purposes. Competition for cane in areas crowded with mills has also promoted steps to bring it under mill control. With the rise of sugar production at the eastern end of the island in new areas another situation presented itself. Companies bought land in large tracts and found it convenient to grant much of it on lease to farmers and others with capital who undertook the work of clearing the land and assisted in recruiting the necessary field labor. Each of these types has spread to mills where other situations existed, and there have been changes from time to time in their respective rôles in the raising of cane.

Incomplete returns for 1904-1905 show 30.3 per cent of the cane area under administration, 33.2 per cent operated by *colonos* on mill land, and 36.5 per cent operated by *colonos* on their own land—independent *colonos*.¹² The estimates made about the time of the World War showed a much larger percentage of *colono* cane of all sorts, but specific figures as to independent cane are lacking. It was then usually assumed that not more than 10 per cent of the cane was administration cane.¹³ Recent computations yield somewhat varying results. The accompanying tabulation exhibits the results of recent computations. There is evidently a striking increase in the proportion of cane harvested from administration *colonias*; a steady reduction in the amount harvested from land farmed by independent *colonos*; and slight fluctuation in the proportion harvested by *colonos* on company land.^{13a}

¹² Secretaría de Hacienda, *Industria azucarera y sus derivados, zafra 1904-1905*. 136 out of 179 mills reported. Some of the larger mills did not report.

¹³ According to Adolfo Méndez Guedes, *Louisiana Sugar Planter*, August 1924, p. 118, 95 per cent of the cane was grown by *colonos*.

^{13a} Percentages for the cane census have been computed from data supplied by the courtesy of the Sugar Export Corporation. For the years 1929-1933 they have been computed from data compiled from the published reports of the Secretary of Agriculture, Commerce and Labor on the *zafra* for the respective years. All mills which made full reports for given years have been included in the samples. There has been no interpolation of estimates. Central Hershey has been systematically omitted. In recent years it has ground all the cane for several mills which are in some respects temporary *colonias* to it. Its own zones include also a high proportion of independent *colonos*. If precise figures were procurable here, the total proportion of independent *colonos* shown by the computations from the *zafras* would be somewhat increased. The trend would not be altered, however. The cane census figures confirm the representative character of the samples.

PROPORTION OF CANE GROUND FROM VARIOUS TYPES OF FIELD SYSTEMS,
1929-1933

Year	Cane Census					
	1929	1930	1931	1931	1932	1933
Number of mills in sample .	109	138	116	160	115	94
Per cent of administration	72.8	20.2	25.8	23.7	24.7	25.7
Per cent of controlled <i>colonos</i> .		63.5	59.1	68.2	66.4	64.0
Per cent of free <i>colonos</i> .	27.2	16.3	15.1	8.1	8.9	10.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

These figures are partially confirmed by the following tabulation:

PROPORTION OF AREA HARVESTED FROM VARIOUS TYPES OF FIELD SYSTEMS,
1931-1933

Year	Cane Census		
	1931	1932	1933
Number of mills in sample .	160	115	94
Per cent of administration	22.0	20.8	25.3
Per cent of controlled <i>colonos</i>	68.7	68.8	64.8
Per cent of free <i>colonos</i>	9.3	10.4	9.9
Total	100.0	100.0	100.0

The explanation of existing trends as discussed informally by mill managers is complex. On the one hand, many *colonos* on company land have become financial liabilities, have run heavily into debt and, finding it increasingly difficult to secure legitimate advantage from the operation of their holdings, have neglected them. In many cases land has consequently passed recently into direct administration. Other companies have regarded it as desirable to increase the number of *colonos* on their lands, especially those with small or medium-sized holdings, and have broken down administration or other *colonias* for this purpose. It is believed that many independent *colonos*, finding their acreage available for grinding reduced by restrictions, have abandoned cane-growing; others have undoubtedly lost title through foreclosure. In 1933, 28 mills reported no administration cane, one mill reported all independent *colono* cane, 35 mills reported no independent *colono* cane.

Under the administration system as it prevails in Cuba, company lands, owned or leased, are divided into a number of sections or zones, each with a superintendent responsible to a general field superintendent. Zones are subdivided into *colonias*, each under a *mayoral*. On most estates the *mayoral* directly employs field laborers for cutting cane, cleaning and planting. The men are assigned tasks based on *cordeles* (a measure of area) or *arrobas* (25 pounds) in the case of

cane. In one large American mill the *mayoral* has under him from one to three farm guards whose principal rôle is to protect company property from trespass, carry communications and orders, assist in supervision and inspection, and report neglect and other problems calling for attention from the administrative staff. On this estate the *mayoral* engages contractors for cutting and hauling during the grinding season. The contractor is assigned two or three cane switches, and recruits his own labor force which he moves successively from place to place as the season continues.

Under the *colono* system direct responsibility rests with the *colono* for all the field operations on his land. The *colonos'* operations, however, are subject to varying degrees of supervision and control by inspectors serving under the field superintendent of the mill, partly to insure proper synchronization of the cane supply and partly to insure full use of advances made by the mill. The *colonos* are usually under contract to plant the kind of cane the mill directs, where the mill wants it planted, to begin cutting when the mill desires it, and to deliver the cane in volume to meet the mills' requirements.

The *colono* is not to be thought of merely as a defenseless, struggling tenant farmer, although this characterization would fit large numbers of them. The *colono* is not tied to the soil, nor of necessity rooted to a particular district. He is essentially an agricultural enterpriser, whose legal relation to the mill is a business relationship. As an individual he comes from any class of society, and represents varying degrees of real economic independence. There are *colonos* who have an interest in the mill at which their cane is ground, or in other mills. There are mill-partners who operate *colonias* on their individual account. And there are many *colonos* who have interests quite alien to sugar-planting, which require much attention at some distance from the estate.¹⁴

The typical *colono*, however, is a Cuban and a small farmer. There were, in 1914, 20,000 *colonos*.¹⁵ The average output of each was from 60,000 to 75,000 *arrobas* of cane, representing a gross return of not

¹⁴ The *Times of Cuba*, in February 1926, published a statement of the *colonos* of 94 *centrales* who in the crop season of 1924-1925 cut more than 500,000 *arrobas* of cane apiece. Allowing for some duplication, there were more than a thousand names in the list. There were about 1,200 *colonias* with a gross income from cane sales of at least \$15,000. 395 *colonos* cut a million *arrobas*; 148 cut two million *arrobas* or more; 59 cut as much as three million, which meant a gross income of at least \$100,000. In a recent crop, one *colono* with a number of scattered estates was reported to have cut 25,000,000 *arrobas* of cane. (In 1923-1924, Rogelio Diaz Pardo delivered 35,000,000 *arrobas* to mill. *El Libro de Cuba*, p. 748. All of these figures must be reduced radically to fit the present situation.) Some of these large-scale producers are not individuals at all, but partnerships, and even corporations.

¹⁵ *Portfolio azucarero*, 1913-1914. At the time of the census of 1899 there were about 15,000.

more than \$1,500. The number of *colonos* has increased since that time. In recent discussions of the Cuban situation, 40,000 has been the number of *colonos* commonly mentioned.

The cane census of 1931 allotted quotas to 28,660 *colonos*. There are also *sub-colonos*, however, whom recent legislation makes members in the National Association of Colonos established by a Grau decree,^{15a} and with these the total number has been estimated by that body as high as 50,000. The average output for 1931, on the basis of census figures, comes to 146,000 *arrobas* cut from 2.943 *cabs*.

The average area of cane harvested by each *colono* has been computed on the basis of mills that made adequate returns in the *zafra* of 1932 at 1.063 *cabs* for the entire island. Averages by provinces are as follows:

Pinar del Río	.. . . .	1.151
Havana	... ..	.631
Matanzas	. . . . .	1.410
Santa Clara	. . . . .	.588
Camagüey	.. . . .	2.100
Oriente	. . . . .	1.337

In these computations the number of *colonos* taken was that reported in the cane census of 1931 for the respective mills. Approximately the same area as that harvested in 1932 was reported uncut or burned over. Thus the average *colono* had two *cabs* of cane at that time. This amount has since been considerably reduced. In addition to his land in cane, the *colono* usually has from 50 to 100 per cent as much for pasture, *batey*, cane roads and other purposes incident to a cane farm. It appears that a small proportion of *colonos* are large-scale operators, while the bulk of them have holdings which they can farm with the sole assistance of their immediate families. Indeed, the family rather than the individual is the real operator of the *colonia* in many districts.

4. *Colono Contracts*

It is as difficult to generalize about the terms under which the *colono* operates as it is to determine the unit of his operations. Strictly speaking, there are three distinct contracts into which a *colono* may enter with the mill. These are respectively the contracts for milling (*molienda*), lease (*colonato*), and crop loans (*refacción*). The milling contract is common to all *colonos*. Before restriction, the *colono* agreed

^{15a} Decree No. 16, January 2, 1934. This decree imposed a tax of $\frac{1}{4}$ of a cent on each 100 *arrobas* of cane ground by the mills, the proceeds of which are turned over to the association.

to sell to the mill, and the mill agreed to grind, all the cane raised on certain land. Payment was to be made in terms of a stipulated amount of sugar for every hundred *arrobas* of cane. These proportions vary widely with the degree of competition between mills, the productivity of the soil, and the other relations of the *colono* with the mill. In the western part of the island 7 or 7½ per cent is the usual rate for *colonos* owning their own land and in position to deliver cane to any one of several mills. At the eastern end of the island some mills paid as low as 4½ per cent for cane grown on their own lands, but as yields have declined these mills have usually raised their minimum rate to 5 per cent. Cane from *colono* lands and cane financed by the *colono* himself is paid for at a higher rate.

The bare figures of the contracts, however, do not exhaust the variability of the terms under which the *colono* sells his cane. In the western part of the island the *colono* is still paid frequently in sugar, and arranges for its sale through wholesale merchants located in the island. The bulk is paid for not in sugar, but in cash or credit based on sugar prices. A few years ago it was the general rule for the mill to liquidate its account with *colonos* fortnightly, paying on the basis of the average price (*promedio*) for sugar as sold through brokers in Havana or some other designated port. This usually meant that the mill had to sell a proportion of sugar fortnightly during the crop to protect its liquidation. The fluctuating character of sugar prices and the decline of sales through Cuban brokers have led in recent years to considerable changes in the basis for liquidation. In 1922 a law provided that *promedios* for Havana and five outports should be computed by the Secretary of Agriculture, Commerce and Labor on the basis of sales recorded with brokers. During the crop season 1926-1927 further legislation directed an experiment with a ten-month *promedio*. Partial liquidation was to be made fortnightly or monthly as the crop proceeded, but final liquidation was to be made on the basis of the average price from February 1 to November 30. Successive stages of restriction have brought further legislation with respect to *promedios*. In 1928 computation took account of three factors: the daily New York c. & f. price (reduced to an f.o.b. basis), brokers' sales, and sales by the Export Corporation.¹⁶ A somewhat similar basis is followed now, using the average of three market prices: the New York c. & f. price as announced by Willett & Gray, the daily London c. & f. price, and the local Cuban price, each weighted proportionately to its quota of the

¹⁶ Decree No. 64, *Gaceta Oficial*, February 15, 1928.

total Cuban crop. Quite a number of mills have arranged to make their settlements on the 10- or 12-month *promedio* computed on this basis. At least two mills have long used very different bases for settlement, taking account of the sugar content of the cane delivered by *colonos* to the mill. There are also other differences and conditions. In some cases the *colono* is charged with proportionate cost of bags for his sugar, of freight to port, and of warehouse and insurance charges. A share of taxes on mill output is frequently charged to his account. There is frequent complaint that the *colono* is given short weight when his cane is weighed in at the mill.

Where the *colono* leases his land from the mill, as is true of 87 per cent of the *colono* land, there is still further variance in terms. Some mills have always made a practice of charging only nominal rent and making adjustment in the price paid for the cane. This is true of a great many mills at the eastern end of the island, whereas rent at the western end is usually more substantial. In most cases leases have run from six to fifteen years. The recent heavy declines in the value of land as a result of depressed sugar prices have made many readjustments in rental inevitable. Some mills have simply allowed all contracts to lapse and continue their relations with *colonos* on a very informal basis. One group of mills have arranged for what are called rent bonifactions. Unused lands are turned back to the company or are charged at a rate varying with the price of sugar. At least one mill has introduced the principle of charging all rents on a sugar basis with the price of \$65 per *cab* when the annual *promedio* is between three-fourths of a cent and a cent and a half a pound, advancing \$6 for each additional tenth of a cent in the price of sugar. In many cases *colonos'* accounts have been adjusted by a reduction or extension of unpaid rent due on land from which cane was planted but could not be cut. As mills and *colonos* recognize the permanent character of the reduced sugar crop, further adjustments will be necessary.

It must be understood that the lease which the *colono* secures from the *central* is a distinctly limited affair. The mill has the right of entry for a great variety of purposes, the lease is usually personal and non-transferable on the part of the *colono*,¹⁷ the *colono* cannot set up stores without permission, and in many contracts drawn before restriction the *colono* is expressly forbidden to plant any part of the land to minor crops. In many contracts all improvements made on

¹⁷ An exception is frequent in case of the death of the *colono*, in which case his heirs succeed to the *colonia*, especially where they are qualified to run the farm. In other cases the mill manages the estate for the benefit of the heirs.

the land revert to the mill at the expiration of the lease, whether this takes place through the fault of the *colono* or otherwise.¹⁸ The *colono* is penalized if he fails to deliver cane as called for, whereas in many leases the mill assumes no responsibility for cane losses in the case of breakdown of machinery or failure to grind for other reasons. Many contracts at the eastern end of the island provide that the *colono* may not borrow money on his crops except from the mill or with its consent. Hence, the tenancy of the *colono* is not very substantial. There is no systematic provision in the legal codes of the island applying to the peculiar relations of landlord and tenant set up by these contracts, and they are not adequately dealt with by special legislation. Partly as a result, no doubt, *colono* lease contracts are not readily enforceable by mills in the local courts. *Colonos*, on the other hand, have been able to collect damages against the mills for failure to provide cars when their cane was cut. It appears that the enactment of systematic legislation covering leaseholds would provide better protection for the interests both of mills and *colonos*.¹⁹ Specifically such legislation should aim at the formation of permanency of tenure on behalf of the *colono* and his heirs, the financial independence of the *colono* and the encouragement of improvements on the land. It should establish norms for the milling contract. It should make liquidations compulsory—the basis of a 10-month or yearly *promedio* if desired by the *colono*. It should guarantee to the *colono* the right to use a portion of leased land for minor crops.

The third contract between *central* and *colono*, usually combined in a single document with the other two, is the crop loan contract. There are many *colonos*, of course, who do not seek advances from the mill. Some have financed themselves entirely through good seasons and bad. This is especially true of many of the small independent *colonos* who plant from three-quarters of a *cab* to three *cabs* of cane. Some *colonos* secure advances from wholesale or retail merchants and some directly from the banks. At least two-thirds of the *colonos*, however, customarily depend on advances from the mill to pay for cultivation, cleaning and planting in the dead season, and to cover at least a part of the living expenses of their families. Further advances are necessary for cutting and hauling cane as the grinding season commences. This situation gives rise to some of the most perplexing prob-

¹⁸ An increasing number of contracts provide for an expert valuation of improvements and reimbursement of the *colono* for 50 per cent of this value.

¹⁹ B. Celorio y Alfonso, *La Refacción* (Havana, 1922), in analyzing the Crop Lien Law of that year, points out in detail the need for a code governing all aspects of *colono* contracts.

lems which confront sugar-mill managers. Many *colonos* in the newer areas commenced operations with a considerable debt to the mill for clearing the ground and making the original plantings, even when they supplied a portion of this capital expenditure themselves. These debts were incurred when labor and material costs were high and, because of lower sugar prices, have not been redeemed. As *colono* indebtedness has continued or accumulated, many *colonos* have felt that their only chance of an income was to secure dead season advances in excess of the work actually done. Most companies have developed the practice of making advances only after work was done and inspected. There has been a continuous tug of war in the fields between managers and *colonos* on the one hand, and *colonos* and field workers on the other. Despite some waste, it is fair to say that the bulk of the advances which have been made to *colonos* represent necessary costs of growing and harvesting the cane. At the low sugar prices which have recently prevailed these costs have not been adequately met by the contract price paid the *colono*.²⁰ As a result, a majority of the *colonos* are carried on company books as chronic debtors, whose cane liquidations are settled by a credit on the books and who live entirely by means of the advances they are able to procure. This situation has brought with it much inefficiency and bad feeling in the fields, as well as distortions in company balance sheets.

It has not been possible to secure statistics as to the extent of *colono* indebtedness. The late Cuban Cane Products Company carried on its books as of September 30, 1933 *colono* debits amounting to \$13,440,578.35. Eight years earlier, September 25, 1925, a corresponding report was \$12,162,821. At that time it was computed that *colonos* as a whole were in debt to that company to the amount of their gross income for a year at prices then prevailing. Since that time the output of Cuba Cane and prices have each diminished approximately one-half. Accordingly the *colono* indebtedness in the fall of 1933 was not far from the equivalent of four years' gross income for the *colonos*. Other mills and companies have faced a comparable situation. Most of them have made extensive readjustments in the accounts. This has usually been a matter of individual bargaining. Other mills have scaled down the indebtedness of all *colonos* according to a formula. One large group of mills has divided the debt into three parts. There

²⁰ So far as they can be traced, company balance sheets have always carried considerable items of uncollected *colono* advances as assets. These corresponded especially to the periods of rapid expansion. The depression of 1921-1922, however, gave rise to numerous delinquent accounts on current operations which were not liquidated before restriction set in.

is a current debt which is to be liquidated annually; an active debt which is to absorb about 75 per cent of the balance of amounts due *colonos* annually, on a basis of \$1,000 per *cab*; and an inactive debt which is to absorb a smaller proportion of the liquidations after the active debt has been cleared off. This is very businesslike, but possibly optimistic. It must be recognized that the way to agricultural efficiency on most estates lies through relieving the *colonos* of their debt burdens and materially reducing the amount of *colono* financing.

Practices have varied widely as to interest rates on advances. In some cases interest has not been charged at all. In others, interest is now being charged as high as 10 or 12 per cent. Eight per cent is the usual figure. In the processes of reorganization which most mills are going through in Cuba, it seems inevitable that the bulk of *colono* debt will be charged off as undeclared agricultural costs instead of being retained as a hidden asset.²¹ It seems demoralizing to what should be the great agricultural middle class of Cuba that it is dependent so largely on advances for living expenses. This dependence goes back to the earliest days of the plantation system in the West Indies. A sound social system requires efforts toward the elimination of this situation.

In defense of trends toward the replacement of the *colono* system by administration, it has been argued that the latter utilizes land more efficiently. The assertion is sometimes made that Cuban *colonos* are a shiftless lot, that they are slow to adopt improvements in cultivation; that when yield falls off it is rare for them to do anything to check it, or to improve the land when depleted. Agriculture under this system has in many cases been nothing but soil mining. Nevertheless, few estates have been able to point to results which were decisively more advantageous under the administration system. A recent report of the United States Tariff Commission on field costs in Cuba shows higher costs under administration and very little better yield per acre.²² To most managers, however, the decisive aspect of the situation is socio-political. So far as Cuba is concerned, the *colono* is a very important factor in the sugar industry. Even with his precarious status

²¹ Bankruptcy, of course, works cancellation of lease contracts. However, successor companies, in making fresh leases to *colonos*, have bargained for reassumption by the *colono* of a great part of his indebtedness. For the time being, of course, the moratorium legislation of May 1934, supplemented by further legislation in August, prolongs all existing leases and suspends collection of past indebtedness until 1936. It also gives eventual priority to all advances made commencing with May 1934. This interrupts certain legal processes. In a measure, however, it facilitates equitable arrangements between *colonos* and mills to adjust their mutual claims on the basis of common understanding.

²² U. S. Tariff Commission, *Report to the President on Sugar*, cited, pp. 66-67.

as enterpriser, he is the most substantial element of the rural community. The political and social development of Cuba, no less than its economic welfare, is bound up with the survival and improvement of the *colono* system. American companies, especially, should not be eager to augment labor difficulties by turning present *colonos* into hired men.

The question arises how large a unit of land will produce results most advantageous for the mill, the *colono*, and the general welfare of the island. Few systematic studies have been made of the objective factors relevant to this question. One study of the relation of cane yield to the size of *colonias* shows increasing yields with the size of estate up to 20 to 24.9 *cabs*, from which point increased size shows diminishing returns.²³ The cost figures procured by the United States Tariff Commission are less decisive. There is wide variability in *colono* costs per ton of cane in Camagüey Province. For instance, an optimum is reached by *colonias* three to six *cabs* in extent and also 30 to 50. Many mill managers have argued that *colonias* ranging from three to ten *cabs* are most convenient. They can be operated substantially by the family of a *colono*, and they are large enough to be operated economically and produce a fair living. It appears that holdings of this size tending to multiply the total number of *colonos* in the island would give a broader basis to the farmer class in Cuba and contribute greatly to social stability. On the whole, a *colonia* is best administered when the *colono* resides on the land himself and his tenancy is such that he may be encouraged to make his permanent residence there. During the expansion period, when there was competition between companies for cane zones, many grants of *colonias* were made to individuals prominent politically or socially, with the hope that their support would help in establishing claims to the land. Some of these *colonias* were of large size, 50 or 100 *cabs* or more, were operated by hired managers, and in some cases companies have had to take over the administration to insure cane supplies. These "Havana" *colonos* have brought discredit on the *colono* system and have not improved the position of the mass of *colonos* who know something about farming and industriously attend to their business. Sound public policy in Cuba calls for an encouragement of cane growing by small and

²³ J. A. Faris, "Colonia sizes and cane yields," *Facts About Sugar*, 23:690-91, July 21, 1928. This study was based on the *colonias* of four companies in Havana and Matanzas provinces. Faris argues that the class of *colonias* from 20 to 24.9 *cabs* is large enough to justify labor-saving machinery, to spread overhead charges and to carry the indispensable minimum of land for *bateyes*, pastures, etc., thus more expenditure proportionately can go into cultivation.

medium-sized *colonos*, most of whom will be the nucleus of a stable agricultural class, and some of whom will engage in this activity as one of the few openings in Cuba for men with small capital resources.²⁴

5. *Labor and Labor Relations*

From the point of view of the masses of Cuban people the most important rôle of the *central* is as organizer of the labor of nearly one-third of the working classes of the island. It will be convenient to divide this labor force for purposes of discussion into those employed at the mill and around the *batey* and those who work in the field.

It has not been possible to procure exact statistics as to the number of persons employed at either kind of work. There are enormous fluctuations in employment between the grinding season and the dead season. The Department of Labor estimates that there are 58,500 workers in the mills, on the private railways, and around the *bateyes* during the grinding season.²⁵ During the dead season, however, the opportunities for employment at the mill fall off rapidly. At the present time it is probable that not more than 3,000 men are needed during the dead season as mill guards,²⁶ operators of electric light and telephone services, and to maintain occasional use of the private railway system. More are needed sporadically when there is sugar to be shipped from the mill warehouses.

The grinding season formerly averaged about five months, running from December to the end of May, when rains in most parts of the island impeded cane harvesting. In 1926 the average grinding

²⁴ The suggestion has been made from time to time that a discriminatory tax be levied on administration cane. While the Commission believes that it is desirable for some lands now farmed by administration to be broken up into *colonias*, it is not prepared to endorse this device for enforcing it. There are some mills where the advantages of administration cane are so decisive that it would be an economic loss to enforce a change of system. It is believed that the advantages of the *colono* system from the point of view of labor relations and community life are so great that many mills will increase the number of their *colonos* as promising applicants appear.

Mr. Buell, however, makes a reservation on this point. Cf. p. 477, footnote 5.

²⁵ Rough estimates made for the Commission on the basis of the numbers employed in particular mills suggest that this figure is approximately correct with about 10 per cent margin for error.

²⁶ Many *centrales* maintain order both in the *batey* and in the field by a system of private guards, called *Guarda Jurados*, who are licensed by the Secretary of Interior. These guards have a power of arrest, and must turn over persons arrested to the tribunals. One of the duties of these guards is to inform the Secretary of Interior of facts in connection with anarchical or Communist propaganda, or other disturbers of labor. Cf. Decree No. 1331, August 21, 1926. When the Commission visited Cuba, *centrales* were also guarded by detachments of the *Guardia Rural*, which constituted an integral part of the Cuban army. These detachments were assigned to guard the *centrales* following the outbreak of the radical strikes described above. Cf. p. 183 ff.

period for the island was 136 days.²⁷ The first mill started to grind November 21, 1925, and the season did not end at the last mill until June. The reduction of Cuba's total output has meant a progressive shortening of the grinding period.

The plain facts of the matter are that the mills now grinding in Cuba are in a position to make at least five million long tons of sugar in a hundred-day season.²⁸ Including mills still assigned quotas on the theory that they are able to grind, nearly six million long tons of sugar can be produced in Cuba in a hundred-day crop.²⁹

During the last unrestricted crop (1929), actual milling time for most mills ran from 2,000 to 2,500 hours during the crop. Most mills were in operation from January to the end of April; 100 days of grinding presumably means about four months' pay. Operating at full capacity Cuba could have produced its quota this year in less than 40 days. Of course there are difficulties with cane supply, wet weather, breakdowns in mill and railway, and stoppages to clean machinery. No mill ever grinds up to its full capacity. The tendency of the mill, however, must seek to do so or not grind at all. Mills with more than one tandem may prolong their grinding season by operating a single unit. But the remainder of their equipment is usually arranged to balance with all tandems at work; hence, even they increase unit operating expense by reducing operations. In other mills it is impossible to slow up the rate of grinding to any great extent. Otherwise they will fail to produce enough *bagazo* to keep up steam. It will be expensive to run the sugar mills inefficiently. It will also be expensive to remodel mills to operate harmoniously at a smaller grinding rate even where it can be done. In short, either a large number of mills will cease to grind entirely, or hundred-day seasons are a thing of the past in Cuba. Mills will try to make their crop in a couple of months at the most, and will not have more than two months' additional employment in repair work, preparation to grind, and cleaning-up.

It is clear that there would have been a problem of chronic sea-

²⁷ *Facts About Sugar*, 23:615.

²⁸ Cuba's largest crop was 5,156,315 long tons in 1930. A computation based on the maximum crop which has been made in any year by each of the present active mills in Cuba results in a total of approximately 5,600,000 tons.

²⁹ The basic data are these: In 1932 the report of the Secretary of Agriculture listed 133 mills as grinding with a daily bag capacity of 345,430. Seven of these mills with a capacity of 11,750 did not grind in 1934 but remain on the quota list. Nine mills which did not grind in 1932 did so in 1934 with a capacity (1930 basis) of 15,249. Thus the mills grinding in 1934 have a capacity of approximately 350,000 bags. Moreover, there are 25 mills allotted quotas as in good grinding condition with a total grinding capacity (1930 basis) of 49,300. Thus the total available grinding capacity in the island is 400,000 bags per day.

sonal unemployment affecting sugar-mill owners in any case, irrespective of the crop curtailment. For twenty years extraordinary circumstances have tended to conceal in Cuba the seasonal character of mill employment, and have bred a generation of employees unaccustomed to agricultural work in the dead season. The World War and the subsequent period of mill expansion meant that in many mills, if not all, there was reconstruction work going on through most of the year when the mill was not actually grinding. Later the ambitious public works program of the Machado régime kept up the demand for labor in many fields accessible to sugar-mill workers. Indeed, it was possible for many workers to maintain their residence in some city where they could secure fairly regular employment and go to the mill only for the season. Thus industrial labor in Cuba is caught both by the sugar collapse and the general economic malaise. For mill expansion could not have gone on forever, nor could public works have proceeded on borrowed money at the pace set by Machado. Boom days are over for a long time. The tendency to shorten the crop period aggravates developments which were in any case inevitable.

The character of work to be done at the mill embraces a wide variety of occupations, from unskilled labor employed in cleaning up the *batey*, the mill floor, and in keeping channels beneath the mills from becoming clogged, to highly skilled mechanics, electricians, carpenters and iron founders. The mills are usually divided into a number of departments, each with a foreman and often with a superintendent, who are salaried men. At the *batey* there is also an office force engaged in compiling records of mill operations and in keeping the accounts of the mill with its *colonos*, employees, and merchants. There are also a number of chemists who check the efficiency with which sugar is extracted.

The wages paid these different classes of workers vary widely from class to class, mill to mill, and year to year. There is a tendency for wages to follow roughly the price of sugar. One large group of mills has elaborated a scale for this wage adjustment. A minimum of 60 cents a day is established for unskilled labor, with an 80-cent minimum when the price of sugar ranges between a cent and a cent and a quarter a pound. According to this scale wages are to rise approximately 12½ per cent with every quarter-cent advance in the price of sugar. The highest wage at one-cent sugar is \$4.50 a day for the master sugar boiler. Foremen in other departments receive from \$3 to \$3.75. The most numerous class of employees receive from \$1 to \$1.50.

This represents roughly the range in wages that has been paid in the 1934 crop by the better financed mills. Eighty cents was the usual minimum this year. There are mills in Cuba, however, which paid as little as 45 cents a day for cleaning up the *batey*. An unweighted average wage for mill work has been computed by the Department of Labor at \$1.35.

These rates represent a considerable advance over the minimum paid in 1933. According to the Department of Labor, the average wage then was 83 cents and minimum rates from some mills for quite a variety of work as low as 30 cents.

It is often misleading to make comparisons between mills on the basis of rates of pay. The income of *batey* workers usually includes a considerable number of items in addition to the wage. In the first place, housing is provided rent-free or at a nominal rate in most mills. All types of housing are to be seen on *bateyes*. It is usual for the better constructed houses to loom up in the foreground as one approaches the *batey*. These houses of brick or stucco with tile roofs are occupied by superintendents and the higher-paid employees with their families. There is frequently a fairly palatial residence for the manager, proprietor or a high company official. Other families have houses of wood, with roofs of tile, containing five or six rooms. There are also frequently some thatched houses. Single men and migratory workers are housed in long *barracones* divided into small rooms opening outward, each with a door but usually without windows. Modern mills have separate toilet and bath facilities for the *barracones*, and the houses are provided with running water and some sanitary conveniences. It is usual for mills to supply electric light to the *batey* up to ten o'clock at night, and this service, rarely charged for, sometimes extends to more remote settlements on the estate. As required by law, all mills provide some medical service for their employees in case of accident or epidemic disease, which usually includes a clinic of sorts for other serious disorders. Legislation might similarly impose minimum housing requirement on all *bateyes*, since in the case of certain *centrales* there is obvious overcrowding and lack of sanitary conditions.

Until recently most mills not immediately adjacent to a town have provided school buildings and often a teacher's salary, and have a church or chapel or both. One large mill has supported two public schools at the *batey* and has contributed to the upkeep of a private school at which the children of better-paid employees paid a nominal tuition. One mill runs a savings bank for its employees. Some of them

operate moving picture houses. An item of intangible income is constituted by the efforts of newer mills to landscape portions of the *batey* with an abundance of tropical trees and shrubs. It is customary for mills to provide quarters for social clubs or unions as they develop at the mill, and to set aside grounds for various sports such as football, baseball, basketball and tennis. Golf courses were formerly established at many mills for the use of American employees. Many of these services have been eliminated or reduced as crop restriction has proceeded.

In their place a new type of service has been developed in some cases. Many mills supply employees with milk free or at nominal rates from their own herds. During 1933 large numbers of mills ran soup kitchens—*cocinas económicas*. Land has been made available for gardens, and in some cases pressure has been brought to bear on employees to plant them with free seed.

The question of company stores is an important matter in discussing wages. In newly settled areas the establishment of a store at the *batey* has been indispensable to provide merchandise for employees. The danger of this institution is that it may become a system of exploiting labor by charging high prices, or that labor will come to be paid chiefly in orders on the store. There is legislation in Cuba—the *Ley Arteaga*⁸⁰—expressly forbidding wage payments in tokens, vouchers, or *vales*.

A large number of mills, however, do not operate their own stores. Some allow complete free trade, renting available buildings on the *batey* to any one who wants to set up a *bodega* or a *fonda* (eating place). Other mills lease an exclusive store concession to a merchant and attempt to supervise his prices. At one such mill the storekeeper had agreed with merchants in the adjacent town to maintain certain price levels. The company, hearing of this arrangement, changed its tenant with the object of introducing the sale of goods at lower prices in the community. It is frequent for pharmacies, barber shops, laundries and tailoring establishments, when run on the *batey*, to be operated as independent enterprises. The practice of posting current price

⁸⁰ In Law 12 of 1927 the Cuban Congress authorized payment in *vales*, thus amending the law; but the Grau régime restored the original law. It is certain, however, that a few mills within recent years have paid their employees by these devices, and that some large *colonos* make payment in this manner. This is not true with respect to larger mills, so far as the Commission has been able to ascertain. Price lists from such company stores compare favorably with prices elsewhere, and managers claim that they give more honest weight than is usual in country *bodegas*.

lists approved by the company at *batey* stores is one that might be more generally adopted.

Thus the typical *batey* is a modern industrial village characterized by the specialization of an urban environment.

6. *Labor in the Fields*

The situation of field workers presents considerable differences. It is even more difficult to secure a precise statement of their number than it is to state the number of mill workers. A memorandum of the Department of Labor estimates that there are 514,000 field workers in the island. Computations made for the Commission indicate that not more than 230,000 cane cutters are needed during the crop and that, at the most, 50,000 other workers may be employed at the same time in hauling or cleaning and as guards, inspectors, and supervisors.³¹ Possibly as many as 100,000 of these workers are Haitians or Jamaicans, many of whom are migratory, moving from the sugar industry to the coffee industry with the change of crop. The Haitians are usually unmarried. They live by themselves, without much participation in the few social activities of the countryside. They throw up small temporary shacks of palm, bark and thatch on a crude frame of small branches, or they may live in open one-room *barracones* at the cane switches where hammocks are hung.

United Fruit Colonization Plan

In an effort to do away with the importation of Haitian labor,³² the United Fruit Company carried out an interesting and significant colonization program beginning in 1928. In cooperation with the government, the company moved from the western provinces a total of 14,229 Cubans, most of them constituting families, into colonization areas located in the cane fields depending on Preston and Banés. To accommodate these families the company constructed a total of 1,714 houses, to each of which was assigned six acres of land to be used for subsistence purposes. These houses were, moreover, provided with water supply. Likewise the company constructed more than 150 open *barracones*. The company assists settlers in raising animals and fowls,

³¹ This computation is based on the assumptions that the 1934 crop was cut from 40,000 *cabs* yielding an average of 40,000 *arrobas* to a *cab* and that cane cutters averaged 100 *arrobas* a day for a 70-day crop. Adjustment would be necessary to meet an alteration in any of these basic assumptions.

³² Cf. pp. 212-214 ff.

has planted over 3,000 fruit trees for their benefit, and attempted to improve living conditions generally.

As a second source of resident labor, the company relies on about 1,200 Cuban farmers residing on company land in the foothills back of Mayarí. As in the case of the colonists, these farmers raise subsistence crops and animals, but work in the sugar fields when the company desires labor. Many of them own their own carts and bulls. In the case of the colonists proper, as well as the farmers, the company charges a nominal rent in order to prevent any prescriptive right to the land from coming into existence.

Although because of crop restriction and the drastic decline in the price of sugar the company was unable to extend its colonization project, nevertheless it discontinued the importation of Haitian contract labor and cut down about 50 per cent on the number of migratory Haitians within its employ. Now that the price of sugar is rising, it is hoped that the company will develop its colonization plan, so as to rid itself entirely of the migratory labor which lives and works under the most questionable conditions. More could be done, moreover, to develop a community life in the colonization units, and to extend a system of nursing into the homes of these people who now rely for serious ailments on excellent hospitals at Preston and Banes. Among the foothill settlers much remains to be done to put malaria under control and to stamp out hog cholera. Steps should also be taken to make it possible for enterprising colonists to acquire title to their land.⁸³

Although the eastern provinces have relied heavily on Haitian Negroes to cut cane, a large percentage of the field work in the western land is performed by Cubans or Spaniards, who are settled on land belonging to mills or *colonos*. Many of these workers are members of families of *colonos*. In recent years, with the rise of town unemployment, increasing numbers of Cubans from every walk of life have sought the country during the harvesting season and have learned to cut cane. The work is not heavy, but it is tedious and, in neglected fields, exasperating. Many women cut cane in Pinar del Río as they do in Louisiana. The country-born worker, however, has the advantage of skill which enables him to cut the cane closely and trim it in a single, graceful movement.

Wages are paid for cane cutting, for hauling, loading and weighing, as well as for supervising these activities, by the weight of the

⁸³ Cf. p. 472 ff.

cane. The minimum rate was fixed by Decree No. 117, January 10, 1934, at two *arrobas* of sugar for every 100 *arrobas* of cane handled. This rate covers the entire harvesting process and is to be apportioned between cane cutters, haulers, and others in accordance with local custom; at the average price of sugar during the crop this would mean an inclusive minimum of about 60 cents for harvesting every 100 *arrobas* of cane handled—an average day's work. Reports compiled by the Department of Labor indicate that this was fairly well adhered to and that many mills in fact paid as high as 70 or 80 cents for cutting and hauling. Forty or 50 cents was the prevailing rate for cutting and 20 or 25 cents for hauling. This was partly in response to demands of labor organizations. In 1933 cane cutters received less than 20 cents in many cases and the average harvesting costs reported were 88 cents per 100 *arrobas*. This is probably an optimistic estimate. These wage rates are considerably lower than those which prevailed at higher prices for sugar. A wage table for a leading company is as follows:

<i>Year</i>	<i>Cutting</i>	<i>Hauling</i>	<i>Contractor</i>
1920	\$1.20	\$0.60	\$0.50
1921	.90	.40	.40
1922	.60	.20	.25
1925	.80	.25	.30
1928	.60	.20	.25
1930	.60	.15	.25
1931	.35	.10	.15
1932	.25	.075	.10
1933	.20	.05	.07
1934	.40	.10	.10

The laborer is usually given a slip at the end of each day indicating the amount he has earned. Paymasters are sent into the fields periodically with funds to meet these vouchers, but it is usually possible for a worker to make use of them at a store before the paymaster comes around. This situation is one which is readily transformed into payment by *vales*, since it calls for more or less intricate bookkeeping to keep track of advance payments made to workers in this way.

Planting, cultivating, patching, road-making and other activities carried on chiefly in the dead season are also paid for by the task, based on the area covered by the work. The rates for this are somewhat less standardized. There are certain norms in the minds of the laborer and of the *mayoral* with whom he contracts as to the amount of work that can be done in a given amount of time. The parties

examine the work and bargain as to what it is worth. Occasionally an appeal is made to the superintendent. Local pressure is brought to bear on *mayorales* to make an equitable distribution of dead season work between the families resident on the estate. Since 1930, however, the amount of dead season work performed on most cane land has been greatly reduced.

Despite the urgent necessity of resuming cultivation and planting, Cuba will not in the future have as much field employment during the dead season as it had before 1926. There is need for almost as many cane cutters during the crop season as before in order to keep the mills running full capacity. This group has been decreased possibly 25 per cent by the reduction of the number of mills which ground. The dead season, however, is now much longer; there is two-fifths as much cane to look after and new plantings will not be made at the rate of the expansion period. This means that even with adequate funds the normal program of cultivation and new plantings in Cuba will fall far short of providing adequate employment for field workers and their families. This is the situation to which it will be necessary for *centrales*, *colonos*, workers and public agencies to adjust.

Field workers fall far short of enjoying the variety of non-monetary income which accrues to residents on the *batey*, although they are in a more favorable position to augment their direct food income by their own energies. The house provided by the company or *colono* is small, without separate kitchen facilities, and usually has no sanitary conveniences of any kind. Many houses lack individual wells or water taps even in the best planned settlements. There is usually a lot of land surrounding the house available for fruit trees and small crops, but these opportunities are not fully utilized. Some unhealthy-looking pigs and chickens run around the yard and in the house. There is generally no floor. Sometimes there is a pony for the man of the family, which permits him to ride off to a cockpit or do a little marketing in town. Where a fortunate neighbor has a radio or victrola, families gather occasionally for a dance. School facilities are almost wholly lacking for field workers' families. The store maintained by *colono*, cane contractor, or company is limited in the range of its supplies. Medical service is remote and expensive, even for those able to pay for it. There is no religious life at all. Large numbers of rural families, especially in Negro communities, have had no marriage ceremony; baptism is more frequent. The idea has penetrated

the most remote regions that vaccination is good for smallpox, serum to prevent typhoid, and quinine for malaria. The field worker is highly isolated from the urban industrial advantages which the *batey* has tasted. Nevertheless, some of these advantages were diffused to him along the dirt trails and the cane tracks and it will not be difficult for more of them to reach him.

The conditions of *colonos* resident on their land and of the *mayorales* and field inspectors are rather better than those of the field workers. They have more income at their command. *Mayorales* were paid an average of \$30 a month during the last crop, and on large estates were paid \$50 or \$60. This salary, moreover, does not stop with the end of the grinding season. From these classes come the well-dressed men riding along the highways on their ponies on Sundays and holidays to cock fights or other forms of recreation. From them also start the currents of social mobility which carry their sons and daughters to the *batey* and town in quest of forms of employment that enjoy greater prestige.

The relations of mills with their employees, both in *batey* and field, are varied. In the main, an attempt is made to give them a patriarchal character. This is especially true of many old established mills which have remained in the same hands for a long period of years. Some Cuban-owned mills have been in the same family for more than a century. In many of these mills the foreman and supervising staff come largely from families that have resided there for two or three generations. A number of *colonos* have succeeded to their fathers. In some western districts field laborers have become so settled that even higher wages have not tempted them to migrate to the larger estates in the east. On mills where these settled conditions prevail, contracts are largely a matter of form. Wage rates and salaries are often lower than the island average, but there are always supplementary allowances for family emergencies. The proprietor of one small mill run entirely under the administration system declared proudly: "You will see no beggars at my station. I see that my people are always fed." The management of some of the newer companies have to a certain extent attempted to reproduce this patriarchal relationship, which evokes a devotion and loyalty and causes an efficiency that can be equalled only by rigorous supervision in mills where relations are purely pecuniary. At one large mill the manager, a former American football player, has attempted to stimulate a team spirit in his labor force. The mill was entirely closed down when it was visited,

yet workers discussed with pride the size of their mill and disputed hotly the claims of others to superiority.

It must be said, however, that the larger milling aggregations do not lend themselves so readily to relationships of loyalty and paternalism as the smaller mills where the proprietor or manager can become personally acquainted with the problems and peculiarities of each of the families dependent on him. The most successful large mills substitute an elaborate administrative machinery with checks and balances, and emphasis on fair dealing and punctual fulfillment of obligations.

Since 1930 the proportion of Americans concerned actively in the management of sugar properties has been decimated. One company with a large organization has 108 American and other foreign employees. This is an outstanding exception. Most American companies have reduced the number of Americans on their staff to one or two at the most. The Commission was favorably impressed with most administrators of whatever nationality, especially on the side of human relations. The buccaneering type of manager has largely disappeared; some managers are primarily business men, some primarily technicians, a few bureaucrats, and some with ranging curiosity as to broader social developments. The degree of good will which managements have won for themselves personally is best demonstrated by the great rarity of personal attacks which accompanied the strike movement in the sugar mills last winter.

7. Labor Organization and the Industry

For many years sugar mills have been slow to respond to trends in labor organization in Cuba. Nevertheless, there were labor disturbances in 1920, and again in the spring of 1925 and in 1931. Although no permanent local unions of importance survived these episodes, the strike movement of 1933-1934 seems to have brought consequences that may be more permanent. This strike movement has been discussed as part of the general labor situation in another chapter. Here it remains to discuss aspects of special importance to the sugar industry.

In the first place, a majority of the mills have signed contracts, covering at least part of this year's work, recognizing syndicates of their workers and agreeing to deal with them. In some cases it has been necessary to recognize the admission even of office workers to

these unions. In the second place, syndicates which have been organized and recognized are largely of an industrial type, embracing all classes of labor in particular departments. Sometimes the employees of a group of mills in a given zone have formed an all-embracing union with sections more or less autonomous for particular mill departments and field areas. In the third place, through the medium of these unions, workers have bargained successfully for wage increases. Some mill managers claim that the concession was not greater than companies were prepared voluntarily to concede. In other cases, however, wage increases were definitely the result of labor pressure. One company instructed its manager to agree to anything necessary to avoid loss of life and property. In the fourth place, a considerable number of companies have agreed to contracts with their workmen which institute a closed shop of the most rigorous character. Mills were visited at which no employee may be hired until the union has indicated his acceptance as a member, and no employee may be dismissed without union approval. It has been necessary to accede to union demands for the dismissal of particular *mayorales* and superintendents, and to find positions for men on whose employment the union insisted. A seniority rule is a feature of many contracts. Other features of contracts which have been examined include agreements to enforce the 8-hour day, workmen's compensation law, and other legislative provisions; to improve housing conditions in the *barracones*; to make better provision for water supply in the fields; to install a school teacher; to improve sanitary conditions on the premises; to provide land for sowing minor crops and water to irrigate them; to provide food for workers called on to work off the *batey*; to provide for free trade on the *bateys*; to provide for group medical service partly supported by one per cent levies on wages and salaries. There are few mills which have agreed to all these conditions. Each of them, however, is to be found in contracts agreed to by important groups of mills.

It remains to be seen what permanent relations will develop between *centrales* and labor organizations. Some of the more patriarchal mills have managed to stave off union recognition entirely. In other cases agreements have been made with what are virtually company unions. Some syndicates are in the hands of leaders whose policy it is to press their demands gradually on the mills. In others, Communist influence is more prominent, the demands are more severe and of a type that managers like to call unreasonable, and in some

cases the demands call for already prevailing conditions. In any case it is clear that mill managers will have to reckon in the future with issues presented by organized labor. There will be pressure to secure wage increases and other advantages corresponding to increases in the price of sugar. The organization of labor will offer a powerful counterweight to the pressure of unemployment on labor conditions.

8. *Summary*

To summarize, the social well being of both *colonos* and laborers in the sugar industry calls for improvement. It seems desirable, first, to increase the number of independent small-scale *colonos* working on their own land. It is suggested that consideration be given to the feasibility of providing legal norms for the rates of *colono* liquidation, taking account of the great diversity of conditions in different areas. Systematic legislation covering the entire field of *colono* contracts is desirable. Second, the condition of the wage earners in the *batey* and in the field needs to be safeguarded. A beginning has been made with a minimum wage and the 8-hour day. Certain minimum requirements in housing and food, such as are imposed on plantation enterprise in Africa and the Far Eastern colonies, might also be imposed by law. Legislation might provide that wage increases be calculated on the "average price of sugar." Some mills increase wages $12\frac{1}{2}$ per cent for every 25 cent increase in the "average price" per cwt. of sugar. Under this system a basic wage of 80 cents a day would increase to \$1.10 when the Havana average sugar price rises from \$1 to \$1.75. The adoption of such a system of wage payments by law would insure the participation by workers in price benefits realized for the sugar industry from marketing agreements.

The greatest social problem of all, however, is the problem of the dead season. While in operation mills must be run close to capacity; a full complement of labor is therefore needed both in the mill and in the field. The number of workers required for a grinding season of 60 days will be about the same as was needed in 1926, with a reduction of 25 per cent for mill capacity no longer utilized. To a certain extent this reduction is offset by the nearly 50 per cent increase in mill staff required by the shift from the 12 to the 8-hour day. Moreover, with the stabilization of sugar prices, dead season program in the field and at the mill will be revived. It is clear, however, that the mass of employees engaged at the mill, on private railways and in the

cane fields are going to have long periods of unemployment every year. The problem of livelihood for these people must be settled on a long time basis if the welfare of the rural districts is to be assured and social peace is to be achieved.

CHAPTER XIII

CONSIDERATIONS AS TO SUGAR POLICY

During the next few years Cuba may count on marketing 1,700,000 tons of sugar in the United States and about 900,000 tons in other countries. It is unlikely that in the predictable future the Cuban market will exceed 3,000,000 tons at the most. At the same time, Cuba has 160 sugar mills, capable of producing an output of between 5,000,000 and 6,000,000 tons. These figures indicate that Cuba is still confronted with the problem of reorganizing its internal economy.

The extent of such reorganization may depend on the price Cuba will receive for its sugar in the future. As a result of the reduction in the American duty on Cuban sugar, this price should rise. Both American and Cuban producers, however, have been concerned lest these reductions lead not to increased prices for the producers but to lowered prices in the American as well as the world market. Both hope that Cuba will obtain what is called "the full benefit of the preference."¹ As this phrase is now used, it means that the New York c. & f. price for Cuban sugar should rise by approximately the same extent as the additional preference of .60 cents granted Cuban sugar in the new reciprocity agreement.

1. *Getting the "Full Benefit of the Preference"*

The new quota system materially modifies conditions of competition in the American market; and in the long run the ruling price will presumably tend to be set by that duty-free sugar produced in the United States whose production costs are highest. Nevertheless, eager

¹ The phrase "full benefit of the preference" has also been used in discussing the respective levels of the New York c. & f. price and the world price. In discussing the old reciprocity treaty it was customary to use this differential as an index of the degree to which Cuba benefited from the reciprocity treaty. Cuba got the "full benefit of the preference" only so long as full-duty sugars entered the United States. Cf. p. 245. Under such conditions the American price level for sugar was definitely linked up with the world price level. Since the introduction of the quota system, which virtually prohibited imports into the United States from foreign countries other than Cuba, the American and world markets have, for all practical purposes, been divorced. The American sugar price will presumably be governed only by factors affecting supply and demand in the United States, its possessions and Cuba. Hence the original meaning of "full benefit of the preference" no longer has any significance.

sellers in any producing area enjoying a quota may depress the American market for short-term periods.

In an effort to avoid this danger and to secure for Cuban sugar the "full benefit of the preference," the Cuban government decided in the summer of 1934 to establish a special committee to set a price below which no sugar might be shipped to the United States.² This committee has decided that Cuban sugar may be exported at a price of .90 cents below the average New York duty-free price during August, or at 2.2963 cents c. & f.³ This price may be changed when 20,000 tons of duty-free sugar have been sold at another figure.

Under this plan, Cuban sugar does not attempt to dictate the American price, and if Cuba does not realize the "full benefit of the preference," it will be due to other holders of sugar. While Cuba cannot, therefore, be accused of attempting to monopolize the American market, the plan does not guarantee that the quota will be disposed of at the set price. During the fall of 1934, and possibly at certain seasons in subsequent years, there will be no active sales for duty-free sugar at all. The market will be only nominal during those periods;⁴ hence the price, once fixed by the Cuban committee, must remain unchanged, at least until November, when Louisiana sugar begins to come into the market.⁵ Moreover, sugar from different producing areas does not press for sale in steady volume throughout the year. At certain seasons, especially in the spring, there is likely to be more active competition. The American quota system should be logically completed by an arrangement for orderly marketing throughout the year, either by a joint marketing agency representing all interested producers or by the simpler device of having quarterly quotas

² The proposal of a Single Seller was not favored, partly because of Cuba's unfortunate experience with similar devices in the past, and partly lest its monopolistic character arouse resentment in the United States. The plan adopted, however, is substantially a Single Seller without the name. The proposal of an export tax equivalent to the reduction of the duty was also considered. This idea involved the distribution of the proceeds of the tax to Cuban mills in proportion to their total production. One objective of this plan, originally brought forward by Santiago Claret in 1929, was to enable mills which have traded portions of their American quota for quotas in other markets, or who have been obliged to sell their American sugar in disproportionate amounts before the trade agreement, to participate in the benefits of the new tariff reduction.

³ Very little sugar was actually sold at the August prices, which presumably anticipated somewhat the effects of the impending tariff reduction. An average based on all duty-free sales from June 8 to August 31, 1934, would have been a more equitable basis, and one more likely to succeed.

⁴ The quotas for most of the areas producing for the American market had been practically exhausted by the time the Cuban-American trade agreement went into effect.

⁵ It was this rigidity, coupled with the determined opposition of American refiners to the Cuban price, that compelled the Sugar Institute on October 4, 1934, to offer a 24-hour period during which sugar might be sold at 2.185 cents. In response to this offer, only 145,000 tons of raw sugar were bought, out of approximately 635,000 tons available in Cuba.

for the different areas established by the A.A.A. Cuba has taken the first steps in this direction by authorizing its Export Committee to fix monthly quotas for each mill in Cuba, based on a calculation as to what the American market will absorb.⁶

Not even these arrangements, however, will deal adequately with the problem of warehoused sugars which have left Cuba.⁷ Such sugar has passed into the hands of persons who are not necessarily interested in maintaining prices for Cuban sugar. During the first two weeks of the new trade agreement such sugar was offered at 1.96 cents a pound, a price 20 points higher than in August but still far below the former duty-free price less the altered duty. It is doubtful, therefore, whether Cuba will be able to secure the price fixed by its export committee until approximately 300,000 tons of this warehoused sugar is sold. Moreover, in the early part of 1935, at least, Philippine sugar now in warehouse will similarly be in a position to preempt the market.⁸ So long as the A.A.A. continues to compute quotas from the time duty is paid instead of from the date of physical entry, similar situations are liable to arise. The entire problem of warehoused sugars which have passed out of possession of original producers in most cases, calls for the closest scrutiny on the part of both American and Cuban administrators of sugar control. Price stability in the American market cannot be assured without bringing such sugar under more effective control, if fulfillment of quotas continues to be recorded on the basis of duty-paid sugar. The Commission has already indicated that in its judgment the calculation of quota fulfillment from the time of physical entry is more consonant with orderly marketing. It is pos-

⁶ This action, being unilateral, is open to the same difficulties which were formerly encountered by the Single Seller. Cf. pp. 243-244. Moreover, the fixing of monthly marketing quotas for each mill greatly complicates the marketing of sugar. It is believed that a quarterly system, embracing all producers for the American market, will be less obnoxious to producers.

⁷ Only Cuban sugar is warehoused in the United States as a rule. Raw sugar coming from other areas represents a higher inventory value. If a Puerto Rican producer, for instance, wishes to warehouse some sugar in anticipation of a future price advance, he will sell his own bags and buy Cubas for the purpose. At the present time several hundred thousand tons of Philippine sugar imported in excess of the 1934 quota are held in warehouse, most of it already sold for delivery in January as part of the 1935 quota.

⁸ It seems unlikely that independent sellers of sugar would sacrifice it at 1.96 when a price closer to 2.29 could be as readily obtained. It must therefore be supposed that the spread between the warehoused sugar and the Cuban committee's price arises from sugar now owned by refiners' agents or by interests in a short position on the New York Sugar Exchange, or from sales by Cuban mills to fulfill contracts made before the trade agreement. The price of 1.96 corresponds roughly to the London price, plus the tariff differential in favor of Cuba. It is evidently fixed with the aim of interpreting "the full benefit of the preference" to Cuba's disadvantage. It is equally disadvantageous to domestic producers. The success of the American policy involves the entire abandonment of the idea that conditions in the disorganized world market establish price levels which should be a norm for the United States. During September 1934, virtually the only exports from Cuba to the American market were in fulfillment of earlier contracts, or by mills owned outright by refiners.

sible that it would also relieve the warehouse situation. It appears, therefore, that policies aimed at securing "the full benefits of the preference" for Cuba have not been wisely considered.

2. *The Struggle for Survival*

These are not the only difficulties to be faced, however, by those interested in securing a more adequate price for sugar producers in Cuba. The average price secured by the Cuban mill-owner for his crop does not depend entirely on the price he is eventually able to secure in New York. Recent price changes there have left world prices and the price in the local Cuban market undisturbed. During the summer of 1934 world prices and Cuban local prices have remained consistently below one cent a pound, while the New York price has advanced in great leaps. On September 1, 1934 the London price was the equivalent of .88 cents f.o.b. Cuba. Even if Cuba can maintain a price as high as 2.29 cents in New York, the average price received by Cuban mill-owners on all contingents will be only 1.75 cents or 1.80 cents.

On the other hand, cost investigations by the United States Tariff Commission indicated that for 1930-1932 average costs of production in Cuba amounted to 1.923 cents a pound, delivered in New York.⁹

It is clear, therefore, that the measures taken by the United States do not dispose of the problem of making the Cuban sugar industry as a whole adequately remunerative to those engaged in it, whether as mill-proprietors, *colonos* or laborers. While a number of mills will be profitable under the new market conditions, others with higher than average costs, including half the mills, will be losing propositions, in so far as earning interest on their investment is concerned.¹⁰

The question therefore arises whether, in the long run, it will not

⁹ These investigations covered a representative sample of seven mills, large and small, in diverse locations, and the cost included computed interest on the book value of properties. These computations will necessarily require correction in looking forward to the probable situation for the 1935 crop. On the one hand, valuations should be sharply written down with consequent lowering of depreciation and interest charges. It may be presumed that gradual efforts in the direction of adapting cane zones to reduced quotas will lower costs. On the other hand, average prices for the 1930-1932 period were lower than may be anticipated for 1935, when the payments of mills to *colonos* and in many cases to mill and field employees will presumably increase.

¹⁰ The published report of the U. S. Tariff Commission indicates that a large proportion of Cuban mills have costs which range closely about the average. There are differences, however, between the highest and lowest cost mill which in some years have amounted to 1½ cents a pound. These figures include overhead costs, as to which it is believed there are exceptionally wide variations. There are also great differences in operating costs, both in field and mill. The authors of this report have not been able to examine the detailed cost records of the Tariff Commission.

be for the best economic interests of the island if sugar is produced in the most efficient plants, and whether public policy should not call for such an administration of the quota system as to encourage mills which have been rendered profitable. Such a policy, if adopted, would be the moral equivalent, in a controlled industry, of processes of selection which are presumed to take place between enterprises in a competitive society.

In adopting a policy for crop restriction and in assigning quotas to the different mills, the government of Cuba has implicitly indicated its disbelief that the survival of the fittest would promote the general welfare of the island.¹¹ It has been feared that the continuance of *laissez faire* would mean the rapid extinction of smaller mills, largely owned by Cubans, and that sugar production would be concentrated for the most part in the eastern provinces under large North American companies. This assumption, however, has not passed unchallenged. It is contended that mills producing up to 100,000 bags or so in a full crop may have more efficient administration, may maintain labor morale at reduced wages more effectively, and may curtail overhead expenses more readily than larger units. It is the "one-man" mill that is the most persistently successful. "The eye of the master fattens the horse" is a Spanish proverb often quoted in this connection.

Nevertheless, the processes of selection in the sugar industry of Cuba for half a century before 1925 suggested the high survival value of large mills. Down to the time of the World War most of the mills actually eliminated in Cuba were small, and frequently had poor locations and old-fashioned machinery.¹² They did not justify further investment for the purpose either of expansion or modernization. Financial involvements resulting from the crisis of 1921 brought more drastic changes. Thirty-two mills were eliminated

¹¹ The history of the sugar industry in the West Indies gives little support to the view that excess production will be eliminated by the failure of enterprises or that the less efficient producers will be permanently eliminated by failure. What is going on in Cuba today in the reorganization of bankrupt companies echoes the story of the business cycle in the sugar industry as far back as 1688, when the planters of Barbadoes made known the "groans of the plantations" in London. Companies have been sold at auction for a fraction of their former book value and their purchasers, with overhead costs even less than those of unreorganized but possibly more efficient mills, were able to resume the struggle with odds in their favor. It is the enterprisers which usually die, not the mills or the growing cane. Some real selection does go on, however.

¹² Twenty-three mills were definitely eliminated before 1914, none of which had ever made as many as 50,000 bags in the long crop seasons then prevalent. Twenty-five others, largely of the same class, ceased to grind before 1920. Ten of the latter group were consolidated with mills belonging to the same proprietor. The total number of mills in Cuba, however, tended to increase during this period. Only six of the mills which were eliminated from 1904 to 1920 were under American ownership, so far as can be ascertained.

within five years, many of them by consolidation or absorption by larger neighbors.¹³

On the other hand, selective processes have gone on during the restriction period, and give some support to the view that destruction of small units is not inevitable. It is not possible to gauge the precise effects of the quota system in this respect. One hundred and thirty-five mills ground in 1934, as compared with 176 in 1926. Nineteen mills which ground in that year or since have entirely disappeared and have not been allotted quotas since 1931. Twenty-five others are still allotted quotas, and retain a skeleton organization, but grind their cane at neighboring mills, usually belonging to the same group of interests. The larger number of these non-operating mills are sizable affairs, which in their best season manufactured from 100,000 to 250,000 bags of sugar. Presumably they were being operated at losses which the proprietors could not absorb. Twenty-five mills of North American ownership have ceased to grind as compared with nineteen of Cuban or Spanish ownership.

To a limited extent, early allocations of quotas tended to favor Cuban properties and those located in the western part of the island where there were the larger number of *colonos* and workers of Cuban nationality. During the last two crops this policy has been accentuated. Under the Grau régime the quotas for 1934 allotted a fixed quota of 60,000 bags to all mills whose quota had been reduced below this point in the previous year—about 80 mills in all.¹⁴ This answered the clamor in certain quarters for a “free” crop, and was intended to augment the production of the smaller mills. As a result of neglect of the fields, however, this result has not yet been accomplished. The “free” mills produced only some 2,360,000 bags in 1934 as compared with 2,500,000 in the previous year—less than half their allotted quota, which was redistributed to larger mills which had cane in excess of their allotment. Granting the social desirability of retaining this group of 80 mills in production, it appears that they are in need of financial assistance to enable them to replenish their supplies of cane.¹⁵ These mills, however, have presumably met approximately their operating costs during a period of extremely low sugar prices. It is evident from

¹³ Nine of these were owned by North American interests, but there was considerable transfer of property to North American hands, involving the bulk of the larger mills with more modern equipment.

¹⁴ Decree No. 3278, *Gaceta Oficial*, December 30, 1933.

¹⁵ Cf. p. 303.

published balance sheets that some large mills with strong financial backing have not done so well.

There are other reasons for believing that the rôle of differences in mill size and equipment has been exaggerated as a cost factor. The entire factory operating costs of many mills is actually lower than the cost of carrying their sugar to port. Operating costs average about only an eighth of the total cost of sugar delivered to United States ports.

3. *Soil and Transport Factors*

Apparently the two most important factors in the struggle for survival are soil and the cost of transporting sugar.¹⁶

Soil

In 1932, when presumably only the best cane was cut, yields ranged from more than 90,000 *arrobas* to the *cab* at Preston, Senado, Pastora, Victoria, and San Agustín (Remedios) to 25,004 at San Ignacio in Matanzas Province. Methods of cultivating accounted for much, but not all, of this difference. There are also great differences in soils controlled by the same mill.¹⁷

In the absence of detailed soil analyses there seems to be no other basis for determining cane quotas than the presence of cane on the land. Until these analyses are made, it will not be possible to determine which mills should be closed down and which extended, in so far as these factors depend on the quality of soil.

Cost of Transport

A second important item in cost differentiation is location with respect to ocean transport. For mills located on or near the seacoast, the cost of getting sugar on shipboard may be as low as two or four cents a bag. At the other extreme are mills in the interior, which must ship their sugar to port via the public railway at a cost, including wharfage and other charges, as high as 80 cents a bag. When sugar brings only \$5 a bag in New York as it did during most of 1934, this

¹⁶ Drought, hurricanes, tax discriminations, may happen to all mills. Technical knowledge is fairly free and readily communicable.

¹⁷ Nevertheless, soil which is not naturally the best may, as at Preston, be compensated for by technique and administration. The operation of the quota system has possibly tended to prevent marginal cane land from going out of cultivation. Quotas have been allocated on the basis of land under cane in 1930, irrespective of its quality; moreover, transfer of quotas so as to make greater use of the better cane lands has not been entirely free. The land thrown out of cultivation has therefore not been necessarily the poorest land.

transport charge is a serious item. In sugar circles it is generally agreed that around 30 cents a bag is what most mills can reasonably stand¹⁸—an amount which is almost as much as the labor costs of milling. Mills obliged to pay maximum prices for carrying sugar to the sea pay as much as it costs to grind the cane, turn it into sugar, and bag and load it in cars. One important group of mills could have saved several hundred thousand dollars annually during the past six crops had it been able to export sugar through near-by private ports. These heavy transport charges do not arise from natural factors but from the operations of the Tarafa Act of 1923,¹⁹ which prohibits the opening of new sub-ports, and virtually compels mills not having such ports to transport their sugar over the public railways. The question may be raised whether, in the absence of data on which the marginal sugar lands may be withdrawn from production, the problem of the present excess capacity in Cuba could not be solved by simply allowing the interior mills, now vitally handicapped by the Tarafa Act, to cease operation.²⁰

The Commission sees two difficulties in such a proposal. The first is that this basis for eliminating mills would be arbitrary and would not correspond to normal economic advantages. Second, and even more important, the extinction of these mills would render completely destitute the thousands of people who now depend on these mills for their cash income. It has been argued that if mills are closed the dependent population would shift to other mills whose production would be correspondingly increased. But this is an incorrect assumption. In the first place, Cuba is no exception to the general rule that farming people settled on the land are highly immobile. In the second place, increased production in surviving mills would probably mean merely more extended employment for persons already employed there, and would not create an opening for additional workers in field or mill. The fundamental reason for keeping all the existing *centrales* alive, at least during a transition period, is in order to save a large part of the population of Cuba from deep distress. For the time being, therefore, the Cuban government should continue to allocate quotas among the different mills on the present basis. But it should also take three other equally important steps. First, it should modify the Tarafa Act so

¹⁸ The Tariff Commission data showed an average transportation cost of transport from the mills of 37.375 cents a bag (11.5 cents per 100 pounds) for 1931-1932.

¹⁹ For discussion of this Act, cf. p. 436 ff.

²⁰ The mills most affected by this legislation are those which belong to the General Sugar Company, the former Cuba Cane Company, and the American Sugar Refining Company, some of which may be obliged to suspend for other reasons.

as to relieve the discriminatory rate burden at present imposed on the interior mills—a proposal described later. Second, it should proceed to a detailed soil analysis, so as to give a scientific basis for the gradual withdrawal of marginal cane lands from production. Finally, it should embark on a program of land colonization and diversification so as to give substitute employment to the families no longer able to depend on sugar lands withdrawn from production. In the final section of this report we shall present detailed suggestions in regard to these two last proposals. Once they are carried out, it will be possible to bring about the gradual and equitable elimination of the surplus sugar capacity of Cuba and at the same time to provide for the wants of the Cuban population.

4. *Financial Needs of the Mills*

In order to gain the benefit of the recent measures taken to stabilize the sugar industry, Cuban sugar properties must solve two financial problems. In the first place, the heavy capital charges of many mills should be written down. Many mills now losing money because of an inappropriate financial set-up, disproportionate fixed interest charges, or an accounting policy which drags along depreciation at fixed percentages instead of wiping out deflated valuations in a lump as they accrue, could be put on a profitable basis by a change in financial policy. If sugar companies attempt to liquidate recent losses out of future earnings they will be building on sand. A great many corporations have recently undergone foreclosure and reorganization. Others should do so, writing down their assets drastically and eliminating the duplication of administrative centers now existing both in Havana and New York. The lease and mortgage structure of the sugar industry requires complete overhauling. It can be achieved with more equity, better feeling and more favorable treatment for Cuban owners of real property if it is done by negotiation rather than on the auction block.

In the process the equities of many American investors will inevitably be extinguished; but if there is any recourse, it must be from the American security house that may have misled them originally.²¹

²¹ Some recent foreclosures on American properties have left a bad taste in the mouth of Cubans, as illustrated in the following note from recent Cuban correspondence in the *International Sugar Journal* (London), 35:308: "The financial troubles of these recent years caused the foreclosure of many sugar estates, at times by proceedings unfair to many creditors not duly protected by existing legislation, and much outcry has been raised in such cases as those of Central España, Central Tánamo, Cuban Cane Products Corporation and others."

Many Cubans resent the fact that new groups may acquire the ownership of a bankrupt sugar property at a sum much smaller than the original physical value of the plant. This procedure may undoubtedly reap profits for the promoter in some cases. At the same time, the interests of Cuba as a whole are not served by the maintenance of an inflated financial structure. The writing down of this structure will make it possible to increase payments to workers and *colonos*. The only alternative to private financial reorganization is for the government to buy up sugar properties—a task we do not believe it should undertake.²²

The second financial question relates to whether the sugar industry is adequately financed. As we have seen, the mills, both Cuban and foreign, depend in many cases for advances from the banks in Cuba—advances which have not been forthcoming in adequate amounts during recent years. The belief is widely held in Cuba that, since these banks themselves own numerous sugar properties, they will not lend to independent mills. It is contended that it is to the interest of the banks to extinguish independent mills in the hope that the quota assigned to bank-controlled mills will be automatically increased, resulting in the extinction of Cuban-owned properties. The investigations which we have been able to make on this subject fail to demonstrate that banks have refused to loan money to independent mills which constitute a good banking risk. There may have been instances where banks have advanced money to their own mills, when such advances could not be justified on sound banking principles. Nevertheless, one of the group of mills today most completely destitute of dead season funds is a group entirely owned by a great American bank. It is the belief of the Commission that the difficulties which mills, Cuban and foreign alike, have recently encountered in securing advances have been due not to a sinister plot on the part of the bankers, but rather to uncertainties concerning the future of the sugar market and to the Cuban political, economic and monetary situation.

From the political and social point of view, however, it is desirable to keep alive the group of 80 small mills which now enjoy the "free" quota up to 60,000 bags. These mills have demonstrated their capacity to exist during the depression, and the government should not allow them to expire now, just when a recovery of the sugar market is taking place. It is estimated that this group of mills needs about \$5,000,000—\$62,500 a mill on the average—with which to

²² Cf. p. 230.

finance the planting of new cane—especially *colono* cane. Owing to political uncertainties in Cuba, these mills may not immediately be able to obtain bank advances. Instead of establishing any new banking system to meet what we believe is purely an emergency situation, the government might consider making loans to mill-owners unable to arrange them otherwise, on a basis of not over \$1,000 a *cab*, up to their quota.²³ Chapter XIV indicates that the development of new banking institutions is desirable in the non-sugar field. As far as sugar is concerned, our information indicates that the present commercial banks intend to relinquish their sugar properties as soon as possible. Once this takes place, one cause of the present fear of discrimination as to credit may be removed. Eventually, moreover, it might be desirable to develop the financing of *colonos*, not as at present through the *central* which in turn borrows from the bank, but through cooperative credit societies maintained by *colono* associations.

The adoption of these measures relative to orderly marketing, amendment of the Tarafa Act, and financial reorganization should contribute to an improvement in the sugar industry. But this improvement is likely to become fully effective only if steps are successfully taken to extend the American quota plan on an international scale.

5. *A New International Sugar Agreement*

A number of Cubans vigorously advocate termination of the International Sugar Agreement which now fixes a Cuban quota in the non-American market. Making use of the arguments of *laissez faire*, these Cubans declare that if quota restrictions on production for the world market were removed, an extension of Cuban cane acreage and employment would take place, in view of the relatively low costs of production in Cuba and the protected position in the American market for part of the crop. If complete free trade in world sugar could be achieved during the next few years, something could be said for this point of view. But the prospect of a general abandonment of present nationalist economic policies seems too remote to be considered as a serious possibility. It is doubtful whether other nations will permit Cuba to market during the next few years much, if any, more sugar than the 900,000 tons sold at present.

A better argument for the abrogation of the Chadbourne plan is that it would enable many mills to stop selling sugar in the world

²³ We do not advocate, however, the permanent entry of the government into the banking business under present conditions.

market altogether, and thus cut their losses. It is possible that a majority of mills having a profit guaranteed by the American quota possess such advantages in operating costs that they are able to earn something toward their overhead even at current depressed sugar prices in the world market. Nevertheless, as a result of the increased price received in the American market because of the new sugar policy of the United States, Cuban mills will virtually be obliged to increase the price paid to *colonos* for cane, and most mills will be obliged to raise wages. Thus their total operating costs will be increased. The number of Cuban mills in a position to market sugar at prices below a cent a pound must therefore diminish rapidly. Under the Chadbourne quotas, the mills which are sub-marginal with respect to the world market must either produce a considerable quantity of their sugar at a loss, or pay a premium to other mills so as to exchange their world quota for a larger share in the profitable American quota. Complete *laissez faire* as to the world market would relieve them of this embarrassing dilemma.

Thus the policy of abrogating the International Sugar Agreement tends to merge with a second possible course of action for the Cuban sugar industry. Under this course Cuba would reduce its sugar production to the amount allowed in the American quota, abandoning its position in the open market as unprofitable. This abandonment would tend to be brought about by the abolition of the International Sugar Agreement, for only mills that could cover their operating costs by producing sugar for sale in the world market would attempt to sell in the world market. Far from increasing its foreign sugar sales, Cuba would thus probably sell less sugar than it sells at present, which would obviously injure the interests of the Cuban people. On the other hand, if more were sold, the action would be viewed everywhere as a menace and give rise to reprisals. Moreover, the United States would indirectly be held responsible for any Cuban dumping so long as the Jones-Costigan Act, which constitutes a subsidy to the Cuban industry, continues in effect.

The Commission therefore believes that Cuba should proceed on the assumption that it cannot sell more sugar in the world market than heretofore, but that it should sell that much and endeavor to bring about an increase in the world price of sugar by a new international agreement. It is this policy which Cuba has been pursuing for the past year and a half. At the London Economic Conference of 1933 the Cuban government presented a proposal for an international

sugar stabilization agreement which, with minor changes, was approved by the International Sugar Council. Under this plan the leading sugar-producing countries would agree for ten years not to increase the stipulated daily capacity of their present mills, not to build new mills, nor put into commission mills now dismantled. They would also undertake not to grant new sugar subsidies, direct or indirect, for production or export, nor to make any new increases in tariff duties beyond 70 per cent ad valorem during the next two years.²⁴ These were rather drastic proposals, the adoption of which would have prevented technical improvement. For this and other reasons the plan did not meet the approval of countries which, like Great Britain, market considerable sugar machinery.

Nevertheless, the establishment of the quota system by the United States has given a new stimulus to international sugar negotiations. The Chadbourne countries are negotiating with regard to a new basis for export quotas after the expiration of the agreement in 1935; and efforts are being made, at the suggestion of Great Britain, to have all countries agree to stabilize sugar exports at approximately the present level.

The world-wide stabilization of exports would tend to enhance the world price for sugar. But even though a large part of the world output is now produced under some form of a restriction program, it seems highly improbable that all producing countries will concur in a single international agreement to limit exports. A more feasible method of achieving agreement and price improvement rests with the leading importing countries, which are relatively few. If Great Britain, France, British India and other British dominions would agree on plans for import quotas similar to those which have been arranged in the United States, a long step would be taken in the direction of stabilization and price improvement. Such agreements would involve quotas for domestic production in each case, and would be contingent on the continuance in some form of the International Sugar Agreement and the American quota system. Great Britain's system of preferences to its Crown Colonies and domestic subsidies already embodies the elements of such an arrangement. It seems likely that the threatened dumping of American refined sugar in the world market may encourage the allocation of British quotas to Cuba and other export areas.²⁵ Great Britain itself refines Cuban sugar for export to

²⁴ *International Sugar Journal*, July 1933, p. 249.

²⁵ This dumping arises from interpretations of tariff legislation in the United States which allow American refiners to receive drawbacks on the old 2 cent duty basis, while paying

many smaller countries in Europe and the Near East. Hence an agreement with Great Britain would automatically control the situation for a time in a majority of the principal import areas. The market for Java sugar, however, is crucial to any settlement.²⁶ The adoption of a quota system in British India, the allocation of about 100,000 tons to Java in European markets (the amount which it now actually sells west of Suez), and the agreement of Chadbourne countries not to compete with Java for the Far Eastern market, would be important parts of an international settlement. The Commission recommends accordingly that Cuba enter into negotiations with leading sugar importing countries for an agreement between governments on the basis of import quotas, which may be adjusted to changes in demand as reflected in world sugar prices.

The prospects for world price improvement within the next five years are not unfavorable. European abnormal surpluses had been practically wiped out by September 1934. Cuban stock will have been reduced by at least 500,000 tons this year, leaving approximately the same amount to dispose of in 1935 in excess of production. Only Java, with an excess carryover of 2,400,000 tons on March 31, 1934, remains a serious menace to the market. At Java's present rate of production and export, it will require at least five years to get rid of this surplus. Unless Java can be restricted in its exports west of Suez, this surplus will depress the world market for several years to come. This situation would be averted by the type of agreement we propose. In any event, the reaction from the unhealthy expansion of the post-war period should have run its course after a few more years, when it may be expected that the factors of supply and demand will produce an equilibrium more nearly consonant with pre-war price levels and those which prevail in the United States.

6. Distribution of the Benefits

It remains to inquire how the benefits of an improved market position can be adequately distributed over Cuba as a whole and not concentrated in the hands of an industry dominated by foreign capital.

To achieve this end it has been suggested that an export tax be levied on Cuban sugar shipped to the United States, equivalent to the .60-cent reduction effected by the new trade agreement, and that the

lowered duties on raws. This privilege expires a year from the dates of successive tariff reductions. Cf. *New York Times*, September 16, 1934.

²⁶ It is believed that the government of British India now recognizes that the undue encouragement it has given to domestic production endangers its revenues, of which duties on sugar from Java were an important part.

proceeds be employed by the government to carry out a general reconstruction program. It is argued that the United States is employing the proceeds of the sugar processing tax largely for direct benefits to planters in the United States and to support reconstruction plans in the Philippines, Puerto Rico and elsewhere, and that Cuba should follow this example. In reply, the sugar interests argue that if the government thus attempts to capture the advantages arising out of the reduction in sugar duty the result will be disastrous to the industry. Capital is greatly needed for the purpose of replanting and recultivating, while wages and *colono* payments should be increased. They also contend that the government would improperly make use of the proceeds of a new export tax, whereas if the benefits of the reduced duty are returned to the industry, such proceeds would at once improve the condition of the population dependent on the *centrales* and the country generally.

While admitting the contention that the sugar industry is in need of rehabilitation, we believe that it would be unfortunate if the government did not attempt to recapture a portion of the benefits of the reduced duty for general needs. The rehabilitation of the sugar industry will not solve the problems of the dead season nor many other acute social problems.

The Commission agrees, however, that a new export tax on sugar equivalent to the reduction of 60 cents a hundred pounds in the trade agreement is too large. But it does favor the imposing of a progressive export tax, starting with a flat tax of say one per cent on all sugar exported at a price above 1.75 cents New York c. & f. or its equivalent. When the price reaches 2 cents or above a surtax should be imposed, reaching a maximum of possibly 50 per cent when sugar reaches 5 cents. The object of the progressive feature of this tax would be to serve as an automatic brake on too rapid expansion of the industry in case of price advances. The plan as a whole would place much needed revenue in the hands of the government for a reconstruction program. If a new spirit succeeds in penetrating government departments, public funds should be more productively expended in the future than in the past.

7. The Question of Refined Sugar

It remains to consider the position of the Cuban refined sugar industry as it is affected by the new sugar policy of the United States.

In a previous chapter we have described the expansion of refining in Cuba during the last few years. This expansion has not taken place without causing outcries from American refiners, who have been organized into the Sugar Institute. Despite the general depression, representative American refining companies have maintained a good record of net earnings during the last few years. It is also true, however, that in comparison with average deliveries for domestic consumption from 1928-1931 of 4,712,171 short tons, these refiners delivered only 3,895,342 short tons in 1933; their proportion of the total also fell from 75 per cent to 66 per cent.⁴⁸ The relevant figures for other principal sources of refined sugar deliveries are as follows:

Area	1928-1931		1933	
	Amount (in short tons)	Per Cent	Amount (in short tons)	Per Cent
U. S. beet . . .	1,110,628	17.7	1,276,615	21.6
Cuba *	341,913	5.4	500,056	8.5
U. S. Insular areas	96,422	1.6	223,104	3.8
Total American consumption	5,822,799	100.0	5,171,957	100.0

* Cuban figures include *turbinados*, etc.

It is clear, therefore, that increased supplies of Cuban refined sugar have not been the major factor in the loss of sales by American refiners. The greatest proportion of the decline has come simply from the diminution of American consumption. Moreover, Cuban deliveries have increased only 46.2 per cent as compared with an increase of 131 per cent for insular areas under American sovereignty.

In January 1934 the United States Tariff Commission reported that conditions of production were approximately the same as between Cuban and domestic refiners, and recommended that the tariff protection sought by the latter should not be granted. Nevertheless, by the terms of the Jones-Costigan Act very definite limits have been imposed on the admission of refined sugar to the continental United States. This was done in provisions which limit the amount of "direct consumption" sugar which may be imported from Cuba to 22 per cent of its total quota in the American market, and similarly limit the "direct consumption" sugar which may be introduced from the Philippines, Hawaii, Puerto Rico and other outlying possessions to

⁴⁸ These figures, taken from the U. S. Tariff Commission, *Report to the President*, cited, pp. 165-6, are derived from Willett & Gray and the Sugar Institute. They cannot be closely compared with statistics as to duty-paying imports, which will be used later in interpreting the Jones-Costigan Act.

the amount entered in either 1931, 1932, 1933, whichever was the greater.⁴⁹

It is widely believed in Cuba that these provisions have worked a serious injustice to Cuban refiners by restricting them far more rigorously than refiners in the insular possessions of the United States.

Precise measurement of the extent of this injustice is difficult, inasmuch as past statistics of duty-paying imports (with which present quotas must be compared) have been based on polarization and not on the distinctions established by the Jones-Costigan Act. The following table represents an attempt to identify the amounts of each class of Cuban sugar which may be included in the "direct consumption" category:

DUTY-PAYING IMPORTS OF DIRECT CONSUMPTION SUGAR FROM CUBA *
(in thousands of short tons)

	1931	1932	1933	Average 1931-1933
Refined sugar 100° . . .	352	420	390	387
Invert sugar syrup . . .	8	23	24	18
<i>Turbinado</i> } 99°	22	18	17	19
<i>Blanqueado</i> }				
Total	382	461	431	424

* These figures are compiled from the Tariff Commission report. They do not purport to correspond to exports from Cuba for the years in question, or to deliveries to final consumers. These latter are claimed in trade circles to show an increase instead of a decrease for 1933, as compared with 1932. The discrepancies seem to arise chiefly from sugar deposited in bonded warehouses in the United States. Since the A.A.A. quotas are computed on duty-paying imports, however, they must be compared with similar items for earlier years. It is assumed in this tabulation that *turbinado* and *blanqueado* sugar correspond to imported sugar polarizing above 98 degrees, and therefore dutiable as 99-degree sugar. It is possible, however, that some sugar polarizing below 98 degrees should be included under these headings. Invert sugar syrup is reported in gallons. Conversion has been made into approximate weights of total sugar content.

To equate these data with the quotas assigned in the Act it is necessary to multiply them by various factors, ranging up to 1.07 for refined sugar.⁵⁰ It appears, therefore, that Cuba has supplied an

⁴⁹ The Jones-Costigan Act does not define or refer to "refined sugar." "Direct consumption sugar" is defined as "any sugar manufactured or brought into the United States for any purpose other than to be further refined. . . ." Contrasted with this is "raw sugar" which is defined as "any sugar manufactured or marketed in, or brought into, the United States, in any form whatever, for the purpose of being, or which shall be further refined. . . ." Under these highly academic definitions the exact character of any particular cargo of sugar brought to the United States can not be determined until it is sold to a refiner or to some other consumer. The definition, however, serves a number of purposes, of which one is the inclusion of various forms of sugar sold to manufacturers in neither raw or refined form, under the same category as refined sugar. About 50,000 tons of these *turbinado*, *blanqueado* and invert sugars are supposed to have been delivered in the United States from Cuban sources in 1933.

⁵⁰ It takes 107 pounds of raw sugar to make 100 pounds of refined. U. S. Tariff Commission, *Report to the President*, cited, p. 107. The quotas are computed on the basis of raw sugar.

average of approximately 446,000 short tons (raw value) of "direct consumption" sugar to the United States during the years 1931-1933. In Cuba's best year, duty was paid on 493,000 short tons. The limitation in the Jones-Costigan Act cuts down this amount to a quota of 418,440 short tons (raw value). This is a reduction of 15.4 per cent as compared with Cuba's maximum year. On the other hand, producers in Hawaii, the Philippines and Puerto Rico have as their quota the full amount of their maximum year. It may also be noted that, if the A.A.A. reduces the total sugar quota in 1935 or in subsequent years, duty-paid imports of Cuban refined will be still further curtailed, whereas other off-shore refined sugar will not be affected. The Commission believes that it would be wise policy to modify the Jones-Costigan Act, so as to place Cuba on the same basis as domestic insular areas in this respect.

Special considerations in favor of this modification arise from the point of view of American consumers of refined sugar. The sole apparent beneficiaries of the special restrictions on direct consumption sugar are the seaboard refiners. The Tariff Commission has reported that they do not require any special protection such as is indirectly provided by the "direct consumption" quotas. Their organization, the Sugar Institute, has recently been declared a combination and conspiracy in restraint of trade as a result of action brought by the Federal government. From the point of view of the American consumer, competition of non-continental refined sugar is eminently to be desired. From the point of view of Cuba the curtailment of an industry which gives all-year employment, in contrast to the production of raw sugar, is regrettable. The Commission therefore hopes that Congress will remove the discrimination against Cuba from the Jones-Costigan Act at the earliest possible moment.⁵¹

⁵¹ The Institute has not been ordered dissolved, but has been directed to desist from forty-six enumerated trade practices found illegal under the Sherman Anti-Trust Law. Doubtless refiners will now attempt to formulate a code under the N.R.A. and retain some of these practices.

CHAPTER XIV

THE MONEY AND CREDIT SYSTEM

1. *History of the Currency System*

From the time of the first American occupation until 1914 United States money was the sole standard in all official transactions in Cuba. By executive action of the President of the United States¹ all customs duties and taxes due to the Cuban government were ordered to be paid in dollars, and the Spanish and French gold coins in use were made convertible into United States money at fixed rates of exchange. The more widely employed Spanish silver coins fluctuated in value against the gold units with a generally falling tendency as the gold price of silver bullion declined. The evils of a fluctuating currency, thus experienced early in Cuba's history as an independent nation, led to the gradual adoption of the dollar as the standard of the business, as of the official, community.

The Cuban government sought to free the country from exclusive dependence on American currency by enactment of the law of October 29, 1914.² This law established a gold standard with a monetary unit, the gold peso, of the same weight and fineness (1.6718 grams 9/10 fine) as the then current United States dollar; provided for the minting of Cuban gold, silver, and nickel coins; authorized the unlimited coinage of the gold coins designated in the law; restricted the coinage of silver to \$12,000,000; and left the amount of nickel coinage to be determined by executive authority. Full legal tender power was given to the Cuban gold peso and to United States money other than fractional coins,³ with a restricted legal tender power to Cuban silver and nickel coins.⁴

¹ December 28, 1898.

² For a discussion, cf. José Miguel Irisarri, *La moneda cubana y los problemas económicos* (Havana, 1930).

³ Certain forms of United States paper money which do not possess full, or any, legal tender power at home have this quality in Cuba. This is somewhat curious but has been of no practical import.

⁴ The gold coins authorized by the law of 1914 were of the denominations \$20, \$10, \$5, \$4, \$2, and \$1; the silver coins were of the denominations \$1, 40, 20 and 10 cents; the nickel coins were of the denominations 5, 2 and 1 cents. The silver and nickel coins were, and are, fiduciary. The weight of the silver peso is 26.7295 grams; the smaller silver coins, of a slightly

The monetary system thus established remained unchanged for nearly two decades and gave Cuba a safe and adequate, but expensive, currency. Gold coins to the amount of \$23,786,750 in 1915-1916 and silver coins to the amount of \$6,662,000 in 1916, \$1,751,140.80 in 1920, and \$3,586,859.20 in 1932, were minted and circulated. Nickel coins of \$755,780 value, issued in 1915-1916, were supplemented by \$693,780 worth in 1920. In 1933 legislation, going beyond the limits fixed in the law of 1914, authorized \$6,000,000 more silver, while \$10,000,000 was authorized in the first six months of 1934.

The law of 1914 made no provision for Cuban paper currency issues. The superior convenience of paper, however, led to a preference for United States paper currency over Cuban gold and the latter never played a very important part in the Cuban monetary system. Any remaining Cuban and American gold coins vanished from circulation on abandonment of the gold standard by the United States in 1933 and the consequent appearance of a high premium on the coins in American paper currency of equivalent face and legal tender value in Cuba.

Although it is now being displaced by silver pesos, United States paper currency has long been, and as yet continues to be, the *de facto* standard money of Cuba and gives the monetary system an essential element of elasticity which would otherwise be somewhat less effectively provided by gold. This elasticity is strikingly evidenced not only by the rapid expansion of the means of payment whenever a high price for sugar brings prosperity to the island, but also by the equally rapid shrinkage in circulation in times of depression. Since 1929 deflation in Cuba has paralleled, or exceeded, that in most other countries; but money, instead of piling up unused in the banks, has been exported.⁵ This has been greatly to the advantage of Cuba which has thereby commanded real resources it would otherwise have had to forego. Popular opinion, however, has fallen into the error of interpreting the decline in the volume of money, which is a consequence of economic depression, as a cause of this depression, with the result

lower proportionate content of silver, weigh 10, 5, and 2.5 grams for the 40, 20 and 10-cent pieces respectively. The weight and fineness of the silver peso is the same as that of the United States silver dollar, while the 10-centavo piece has the same weight and fineness as the American dime. The 40 and 20-centavo pieces have proportionate weights and the same fineness as the dime. Like the American 5-cent piece, all the nickel coins contain one part of nickel to three parts of copper and weigh, for the 5, the 2, and the 1-centavo coins, respectively, 5, 3, and 2.5 grams. The weight of the 5-centavo piece is the same as that of the United States nickel.

⁵ Cf. p. 326.

that monetary legislation, some of which is of very dubious virtue, has recently been enacted.⁶

2. Monetary Legislation of 1933 and 1934

The first essential change in the law of 1914 was that of May 16, 1933—before the overthrow of Machado. The \$6,000,000 of silver coinage then authorized came at a time when the total volume of currency was declining. In this, and subsequent laws, provision was made for the issue of silver certificates against silver coin deposited in the Treasury. The decree of March 22, 1934 (Decree No. 93), in which \$10,000,000 of new silver coins was authorized, was supplemented by Decree No. 153 of April 24, 1934, which made Cuban silver pesos tenderable in unlimited amounts in payment of all duties, taxes, and other payments to governmental agencies.

Decree No. 244 of May 22, 1934, as amended by Decrees No. 256 and 259 (May 25 and May 28, 1934), reduced the content of the gold peso to .9873 grams 9/10 fine (to accord with the reduction in the gold value of the United States dollar); demonetized the original Cuban gold peso and the United States gold dollar but retained United States paper money as full legal tender; gave unlimited legal tender power both to the new Cuban gold unit (which does not yet exist in any tangible form) and to the silver peso; authorized the purchase of gold by the Cuban Treasury at \$35 per fine ounce troy; and prohibited, under heavy penalties, the exportation of gold.

Obligations, contracted prior to the promulgation of Decree No. 244, in money which retains its legal tender quality in Cuba are payable in the money agreed upon in the contract;⁷ but all monetary obligations entered upon after the promulgation of the decree may be satisfied by the payment of any kind of money now legal tender in Cuba. Presumably—although this is not expressly stated—the rate of exchange of the contractual against the legal tender currency is fixed by the rate prevailing at the time of the promulgation of the law.

Decree-Law No. 268 of June 2, 1934, prohibited the exportation of money in any form except for specific purposes provided in the law.⁸ To further the execution of this decree, control of foreign exchange

⁶ There is a more or less steady export of funds, ordinarily balanced by incoming items, to meet service on foreign investment and as remittances by foreigners, in business in Cuba, to their native country.

⁷ The law does not seem to provide for obligations contracted in money which has not been, or does not remain, legal tender in Cuba.

⁸ The limits of legal export were fairly liberal since the law did not so much seek to inhibit business transactions as remittances by individuals, living in Cuba, for their own account abroad.

was established, and all money received abroad in payment for Cuban exports was, within a limited period, to be repatriated unless used for one of the specific purposes permitted by the law. This decree was repealed by Decree-Law No. 339 of July 14, 1934.

To obtain funds for the purchase of silver bullion for the recent coinage, the Cuban government in April 1934 negotiated a loan of \$4,000,000 at 4 per cent with the Second Export-Import Bank of Washington, D. C. The Cuban government then purchased through the Bank and the American Treasury about 7.5 million ounces of silver at a cost of \$3,588,569. This amount of silver bullion was to be coined into Cuban pesos amounting to \$10,000,000, thus netting the Cuban government a seigniorage profit of \$6,000,000. The loan was secured by the purchased silver bullion which is coined in the United States by the Philadelphia Mint. The delivery of the (coined) silver is made at Havana only as the Cuban government meets instalments on the loan. On arrival of the coins, the Cuban government, in effect, substitutes silver pesos for an equivalent face value of the United States dollars used in payment and retains the remaining two-thirds of the coins for general expenses.

The new issues of pesos have been greeted favorably by those who favor inflation, but they have caused great apprehension in both the native and foreign business community in Cuba. The right to repay in pesos any new loan of dollars, or other foreign currency, produced a temporary stoppage of credit. Pesos were not yet available in sufficient volume to cover many large transactions, and lenders would not turn over dollars in exchange for a future right to pesos which would perhaps be greatly depreciated at the due date of the loan. The restraint on transfers of money abroad added to the general distrust since even foreign currency in Cuba might, under such a law, fall below its face value in the country of origin. The probably inevitable failure to enforce this law may have prevented serious monetary troubles. It had, however, the usual effect of such legislation in stimulating what it was designed to prevent, and its subsequent repeal was welcomed as essential to a restoration of confidence. Meanwhile, the proportion of government revenues paid in United States dollars was declining, and postponement of the issue of silver certificates (especially of the larger denominations)⁹ led to a relative excess of the one-peso coins, which were taken in quantity by the banks, for

⁹ The postponement is due to the inability of the United States Bureau of Engraving and Printing, which has the contract for the certificates, to make prompt delivery.

other than regular customers, only at an appreciable discount against the dollar.

So long as any substantial quantity of United States paper money remains in circulation, however, the silver pesos or certificates will no doubt maintain a value high above the value of the silver they contain or command. They will, in fact, tend to circulate at practical parity with the dollar or at the very slight discount necessary, under the operation of Gresham's law, to drive dollars out of Cuba and back to the United States.

Should United States paper issues be completely supplanted by silver pesos or certificates, the future fundamental value of the peso would depend on the quantity issued, although psychological factors might lead to wide deviations from what might be regarded as the current norm. The limit of potential depreciation of the silver peso in terms of dollars is, of course, the dollar value of the peso's silver content. Up to this point there would be a fiscal profit in new issues. Should the value of the peso fall to the value of the silver which it contains, however, this profit would be eliminated, and any tendency to depreciation beyond this level would be offset by the reduction in the volume of means of payment which would follow on the profitable melting-down of peso coins directly taken from circulation or obtained through redemption of silver certificates. If such redemption were refused there would be no limit on the potential depreciation of the certificates.

The volume of silver which can be absorbed without completely driving United States paper from circulation depends on several variables as follows: (1) the amount of American currency now in circulation in Cuba, (2) the volume of business which will develop in the period in which the pesos are being issued, and (3) the degree of confidence which can be sustained in Cuban money. The volume of American currency now in Cuba furnishes the upper limit to the issue of undepreciated silver pesos, or peso certificates, so long as economic conditions remain unchanged. An amelioration of business conditions would perhaps permit a proportionately larger emission but any decline of confidence in Cuban money would provoke such an increase in the velocity of circulation as to lead to the expulsion of American currency at a rate much more than equivalent to the increase in the volume of silver pesos.

No one of the factors above listed is capable of exact determination. Reasonably good estimates can be made of the amount of Ameri-

can money now in circulation in Cuba, but only a guess at the future volume of business is possible, while prognostications as to confidence in the peso currency are subject to a still wider margin of error.

No inflation has as yet occurred and there is no inherent reason why it should. The total volume of circulating medium in Cuba is probably no greater than if no new pesos had been issued at all. As silver pesos are introduced, the paper dollar currency leaves the island with even greater facility than would gold under similar circumstances. Provided the government rests content with the emissions already made, no harm, and some good, will have been done. The seigniorage profit already realized is a legitimate return on the replacement of a currency material, expensive for Cuba, by a cheaper substitute which can be kept undepreciated through adequate limitation of supply. The real question is whether the authorities wish to keep the peso undepreciated, and if so, whether they will restrict the issues in the measure essential to this end.¹⁰

The business community is in the dark as to the intentions of the government with regard to monetary policy and, in making its decisions, can assume neither a stable exchange value for the peso nor inflation. No comprehensive monetary program has been laid down. The large seigniorage profits on the recent emission of silver pesos have not been allocated to the regulation of the currency but have been dissipated on a wide variety of more or less extraordinary governmental expenditures. Business men fear, perhaps not unjustly, that in the absence of a clearly-defined monetary policy the interest of the community in a sound currency may be ignored in the future vicissitudes of politics.

3. *The Question of Inflation*

The advocates of inflation include some very able, energetic, and disinterested individuals and, in one form or another, inflation is a feature of the program of several strong political parties. Some favor indefinite continuation of the issues of silver pesos until Cuba, like China, is on a straight silver standard. The more popular method, however, is the establishment of a Bank of Issue as the engine for the

¹⁰ The margin of remaining United States currency, even as officially reported, is not wide and the figures include the stocks of unissued Federal Reserve Notes held in the Havana office of the Federal Reserve Bank of Atlanta. These notes, of course, are not currency but mere unuttered promises. They should not be included in estimates of the amount of money in circulation and, in the absence of their segregation, the official monetary statistics are almost devoid of significance. They might easily, however, lull the authorities into a false sense of security and lead them to overload the ship with new emissions of silver.

dissemination of an enlarged supply of currency. The more conservative proponents of such a bank think in terms of orthodox central banking, a gold reserve, and fairly high reserve ratios. This procedure, however, would result in little or no increase in the currency while the acquisition of adequate capital is a stumbling-block. Bolder spirits therefore propose an outright issue of \$50,000,000 of central bank notes to be put into a self-liquidating public works program. The revenue from these works, as it accrued, would be used to sink the original issue of notes which, it is therefore alleged, would have only temporary inflationary effects. Finally, some would leave the emission of paper entirely in the bank's discretion, especially in rediscounting the paper of prospective native commercial banks.

The proposal for the indefinite issue of silver pesos as a form of currency depreciation has the advantage of possessing an automatic imposed limit. Assuming that inflation were desirable, such a limit would be of decisive importance since cessation of issue of paper money, particularly under existing circumstances in Cuba, would be an extremely difficult thing to bring about and might, in any event, impose no early check on depreciation.

The benefits of inflation in Cuba are greatly exaggerated by its proponents, while its evils are persistently minimized. Inflation, *per se*, does not create or destroy wealth, but merely redistributes it. The chance that it will produce a more equal, or equitable, distribution is all but nil. It gives and takes away without regard to merit, mercy or justice. It must, however, be conceded that it may sometimes act as a cordial on a prostrate body economic and that it may have certain other desirable by-products such as the alleviation of a debt which is so crushing as to prevent the making of any payment at all.

One of the expected by-products in Cuba is the diversification of industry so essential to the island's welfare. Some tendency in that direction might develop so long as the presumptive fall in the exchange value of the peso outstripped the rise in domestic prices. Under these conditions the peso prices of imports and exports, reflecting the high peso price of foreign currency, would tend to rise relatively to the prices of purely domestic products. Should wage rates lag behind the movement of prices, as they almost always tend to do, it might be possible (with profit to the entrepreneur) temporarily to develop some new lines of export and to produce at home a larger part, or even the whole, of the domestic consumption of certain products now imported. Granted, however, that such diversification would occur—

and this, as will later appear, is by no means certain—it would be obtained only through exploitation of the laboring population, who would be forced to pay higher prices for articles of consumption (whether import, export, or domestic products), without receiving any equivalent increase in money wages. Inflation, in other words, would be a device to lower real wages for the benefit of the entrepreneur. The entrepreneur in sugar would share this advantage along with entrepreneurs in other lines, and there is no assurance that this would not lead to at least as great an emphasis on sugar production as now exists. The objective of diversification would thus not be obtained at all and, even if it were, the stimulus would be but temporary until peso wages caught up with peso prices, or until the fall in the exchange value of the peso, relative to its purchasing power at home, was checked by a cessation of further issues and the decline in the ratio of imports to exports.

The net result of this policy would, so far as the total volume of Cuban production and business was not adversely affected, be an exploitation of the Cuban worker in the interest of the foreign, as well as the domestic, enterpriser. This can hardly be regarded as good national policy.

It is highly improbable, moreover, that inflation would have other than an adverse effect on Cuban output. The mere suggestion of currency depreciation would almost certainly paralyze credit,¹¹ check production and business, and provoke a crisis in an economy which is in no condition to stand further shocks. Something of this has, indeed, already occurred. Whatever the general validity of the allegation that a measure of inflation may be a stimulus to business activity it would therefore seem to have not the least application to Cuba. If devaluation of the dollar has been, on balance, a stimulating factor in business, Cuba has shared, through a similar depreciation of the peso, in any fillip it may have provided. There is great danger that further drafts of this heady wine would lead through exhilaration to intoxication, delirium, and finally complete prostration.

The argument that inflation alleviates a burden of indebtedness which has become intolerable—ordinarily the most cogent of inflationist pleas—is of little importance in the case of Cuba. The island's funded external debt is almost entirely in dollars. The only effect, on this debt, of depreciation of the peso relative to the dollar would be

¹¹ Cuba is more or less unique in this respect inasmuch as, under existing conditions, any large loans must, in fact, be made in United States currency but, under the law, are repayable in pesos at the par rate of exchange.

a *pro tanto* increase in the peso payments necessary for service and amortization. The real burden of this debt has already been reduced through devaluation of the dollar, but it could not possibly be affected, in the interest of the debtor, by a decline in the dollar exchange value of the peso. The funded internal debt of the Cuban government is so small as to be negligible. Many large private debts, like that of the government, are expressed in currencies other than the peso so that the practical possibility of debt payment hangs not so much on the value of the Cuban monetary unit as on the degree in which general economic well-being is restored. Since currency depreciation would almost certainly have a more or less general retarding rather than stimulating influence in this direction, the debt argument for inflation falls to the ground. The extended experience of many Latin-American and European countries with currency depreciation has given their working population a profound and just appreciation of the value of stable money and there appears to be no ground whatever for the contention that depreciation of the peso relative to the dollar would be other than a disaster to the Cuban people. The road to recovery does not lie in this direction. The existing monetary system, while far from perfect, has been one of the less vulnerable phases of Cuban economy, and reform should proceed from the present base rather than by its destruction. The present system, in fact, was evolved as a means of escape from evils which would be reintroduced, and exaggerated, by any inflationary procedure.

4. *Elements of a Good Monetary System and Their Application to Cuba*

The primary elements of a good monetary system are equity, elasticity and economy. Since United States paper money is the *de facto* monetary standard, legal tender, and the common medium of exchange for all the larger transactions in Cuba, it would seem at first blush that the Cuban currency would correspond to these criteria neither better nor worse than the dollar. The equity, elasticity, and economy of dollar currency in and for Cuba are, however, by no means identical with the equity, elasticity, and economy of the same currency in and for the United States. It will presently appear that, so far as elasticity is concerned, the Cuban monetary system is superior to that of the United States, that in some respects it is more and in others less equitable, and that it is very much more expensive.

Equity

To insure even an approximation to equity, it is above all else essential that money be safe; that the currency unit should not be subject to marked deterioration in the hands of holders. Correlatively, of course, the value of the currency unit should not be subject to the opposite tendency, but aberrations in purchasing power on the side of inflation are so much more probable than on that of deflation that it is ordinarily of far greater importance to guard against excessive issues of money than against a deficiency. To prevent undue exuberance in the issue of money it is customary to select, as the monetary standard, some suitable commodity, not obtained without great effort, so that there will be physical limitations on the amount of money which can be made available. The most suitable commodities for this purpose are, of course, the precious metals, preeminently gold. The advantages, moreover, to a small country of exchange stability between its currency unit and the currencies of the great nations with which it deals are so great as to throw the gravest doubts on the selection, as its monetary standard, of any metal other than that to which the money of those nations is more or less directly attached. This consideration militates against the continued issue of silver in Cuba, even if that policy did not involve a very large measure of inflation. It is of even greater cogency in relation to a free paper currency. So long as the Cuban economy, for better or worse, is closely associated with that of the United States, and the American dollar remains sound in the sense of preserving substantial justice between debtors and creditors, the principle of equity in the Cuban currency system is likely to be best realized by the maintenance of unchanged relationships between the peso and the dollar.

So far as equity between debtors and creditors is concerned, the record of the Cuban currency is the same as that of the United States dollar or any other gold standard unit.¹² No currency with which the world has yet had any extended experience is superior in this respect to gold and, rightly or wrongly, there is widespread fear, especially among commercial classes in Cuba, that an unanchored currency would fail to preserve, even approximately, this elementary requirement. If the tie with the dollar is strained or severed, the way to uncontrolled inflation is made easy. The lack of equity which, as will

¹² The recent reduction in the gold content of the dollar, which the Cuban currency shared, has, up to date at least, preserved equity between debtors and creditors somewhat more fully than has been the case with units of unchanged gold content.

presently be noted, is imposed by the existing system on Cuba as a nation, in contradistinction to individual debtors and creditors, must be removed, if at all, by some means which will preclude depreciation of the peso.

So far as bank deposits are to be considered currency, the Cubans have had a much safer and more equitable monetary system than the United States. There have been no important bank failures in Cuba in the quinquennium of world-wide depression since 1929, and the distress from this cause, so prevalent in the United States, has been avoided. This blessing, perhaps insufficiently appreciated in Cuba, is largely due to the fact that commercial banking is almost entirely in the hands of certain foreign banks which are among the strongest institutions in the world. These banks have thrust none of the burden of depression on their depositors.

A second principle of equity is that the profits on the issue of fiduciary money should accrue to the government of the country of circulation. In pursuance of this principle the issue of bank notes has been made an official monopoly, or put in the hands of a semi-governmental agency, in most of the advanced countries of the world. Cuba uses such fiduciary money—United States paper currency—but neither the Cuban government nor people obtain any profit whatever from its issue. Federal Reserve notes are emitted, and excess American currency is withdrawn, through the Havana agency of the Federal Reserve Bank of Atlanta. Though it is permissible to issue bank notes without legal tender force, no bank avails itself of these powers. Domestic issues of the United States banks, however, along with Federal Reserve notes and other United States paper money, are in free circulation. The United States is therefore reaping at Cuba's expense the profit on the paper money issues employed in the island. In effect, Cuba is making to the United States a loan, without interest, to the amount of the American paper money there in circulation. It is anomalous that Cuba, where capital is scarce and interest rates are high, should be making such a loan. The situation is not quite as inequitable as it seems since much of the cost of administration of the Cuban monetary system is borne by United States institutions. On this phase of the problem of equity, however, the balance is against the present arrangements. The matter will be more fully treated under the head "Economy."

It is sometimes asserted in Cuba that the general use of the dollar subordinates the Cuban economy to that of the United States. This

assertion has, so far as the Commission is aware, never been supported by any precise arguments, but the belief in the validity of the statement appears, none the less, to be rather widely held. It is hard to see how the form of money used in Cuba has any bearing on the issue of economic vassalage. It may be noted that, in the United States, Spanish silver money was legal tender, and a principal medium of exchange, until 1834. No one would assert that this practice gave Spain any special dominance over economic life in the United States during that period. The case for a national currency in Cuba is strong but the notion that economic freedom is involved will not bear scientific scrutiny.

Elasticity

Elasticity is of four major types, emergency, seasonal, cyclical and secular. Not only should the monetary supply be elastic but the elasticity should be appropriate to certain clearly defined ends. It will do no good, and may do much harm, for a currency to be capable of expansion and contraction if it grows or shrinks at inopportune times or for purposes other than those which are in the social interest. The elasticity requisite to emergencies is almost always an elasticity of expansion to cover the abnormal demands for currency under the most trying circumstances of bank runs and heavy hoarding.¹⁸ Seasonal elasticity of the currency is important to prevent, at a given price level, recurring deficiency and redundancy of the money supply or, in the alternative, undesirable seasonal fluctuations in prices. Cyclical and secular elasticity do not differ in essentials from seasonal elasticity so far as the objective is merely to provide a money supply appropriate, at the current level of world prices, to the volume of business actually under way in the country concerned. As a factor in the control of business fluctuations, or price levels, on the other hand, a manipulation of the volume of currency almost the reverse of that which has normally occurred in the past might become a primary object of monetary policy. This, however, could be attempted only as an international measure or by a single nation in disregard of exchange relationships with the currencies of other countries.

Since a small country, with an economy intimately related to that of a much larger neighbor, could scarcely hope to succeed alone in such an experiment, the only present concern of Cuba in the matter is a money which will possess emergency, seasonal, and the first of

¹⁸ A corresponding power of contraction is of course essential when the crisis is past.

the two types of cyclical and secular elasticity. The present system meets these needs admirably. The foreign banks put American currency into circulation *ad lib* to meet panic withdrawals of deposits or the more normal seasonal, cyclical, and secular expansion. They provide the machinery for an equally desirable currency contraction whenever panic is over or the seasonal, cyclical, and secular expansion is reversed. If a monetary system more or less completely duplicating that of the United States, or the principal European countries, were established in Cuba, the expense of providing so effective a service would be very high and might easily be prohibitive. All of the foreign banks in the island have much greater resources, both of their own and freely available to them on a borrowing basis, than any Cuban central institution could reasonably hope to match.

These foreign banks have in recent years been subjected to runs which, in all probability, would have bankrupted any purely local banking system. The only recourse would then have been fiat money. To obviate this disastrous alternative under a local banking system would require the maintenance of an immensely high dead asset reserve since the Cuban economy, as at present organized, is peculiarly mercurial. The danger of the collapse of an unanchored pecuniary and financial system exists wherever widespread diversification of risks is not and cannot be realized.¹⁴ Cuba is highly vulnerable in this respect but, through the foreign banks, can tap the very large reserves necessary to the situation without the expense of keeping them. This is an advantage which should not be lightly surrendered.

Sharp contraction of the currency is, on occasion, at least as necessary to pecuniary health as expansion. The assumption that a contraction of the currency is the cause rather than the result of economic distress is a dangerous fallacy. Business has not withered in Cuba because money was leaving the island but money has left the island because, for causes quite unconnected with the currency, business had declined. The price level of mobile goods in any country which carries on international trade cannot long deviate from the similar price level in the outside world by more than the cost of transfer of the goods inward or outward as the case may be.¹⁵ The money supply in any country must be adjusted to this price level if the monetary unit is to maintain the established exchange relationship with foreign curren-

¹⁴ The recent fate of rural banks in the United States is here in point as well as the collapse of Cuban banks after 1920.

¹⁵ Tariff duties are reckoned as part of the costs of transfer.

cies of similar standard. If restraints are placed on the free outward movement of funds, and these restraints can be made effective, the monetary unit in question will fall in internal purchasing power and, except for the almost complete throttling of foreign trade, in its exchange value against foreign money. The sole issue of the forced retention of money is inflation; it has no beneficent bearing on social welfare. The exchange value of such a cooped-up currency tends to settle at the point which will restore the original substantial equality of internal and foreign price levels as measured in any of the currencies concerned. The net result, after much disturbance, is a higher nominal wage, cost, and price structure in the country of depreciation, and no real social gain.

None of the rather dubious arguments which may be advanced for exchange control in other countries therefore applies to Cuba. The primary objective of such control is maintenance of the exchange value of the currency concerned without so pronounced a drain of gold as would bring about complete abandonment of the established standard. Under existing conditions this problem is entirely absent in Cuba. So long as American money is the common medium of exchange, Cuba has the equivalent of an unlimited market for its currency at a fixed price in dollars. With respect to the dollar, and in the proportion which dollars form of the total circulating medium, it is as if the Cuban currency were solely composed of full value coins. Such coins would have an unlimited market at a fixed price in any country of similar standard. It is precisely because ordinary national paper currencies have no such market in foreign countries that exchange control is set up.¹⁶

It would be superfluous to dwell on the difficulty of making the prohibition on the export of dollars from Cuba effective but, granted that this could be done, it would merely reduce the value of dollars shut up in Cuba in terms of the same money in the United States. A discount on Federal Reserve notes in Cuba, as compared with identical notes in the United States, would appear, and there would be no necessary limit on this discount. Restrictions on the export of money from Cuba must therefore either be ineffective or, from the point of view

¹⁶ Except for the qualification arising from the recent introduction of a sizable volume of silver pesos, the elasticity of the Cuban currency is greater than that of practically any modern money. Fiduciary money has ordinarily no export value. The limit on contraction, and on defense of the monetary standard, is set by the size of the free gold reserve. This is, typically, but a fraction of the volume of such fiduciary money in circulation in the jurisdiction. So far as the dollar exchange value of the bulk of the money in Cuba is concerned, however, the currency, being dollars, has been its own guarantor, has possessed almost 100 per cent elasticity, and has furnished potential resources abroad in the full measure of its volume.

of maintenance of its exchange value, positively pernicious. They are, in fact, ineffective except to impose a burden on honest business and perhaps put a premium in the hands of innumerable smugglers of currency. The recent repeal of Decree No. 268 is, therefore, a matter for congratulation, and it is to be hoped that no restraint will in the future be placed on the free movement of currency. Whatever exchange difficulties have come into existence were created by the decree itself.¹⁷

Far from a large volume of currency being *per se* desirable, the ideal monetary system would be that in which, other things being equal, the volume of circulating medium bore the smallest ratio to the total volume of business transacted. The cost of the currency would then be at a minimum; only a small portion of the real resources of the community would be tied up in a non-earning asset. An increase of currency in Cuba would not of itself make for an increase in business, but would merely raise prices and lower the exchange value of the peso. An increase of business, however, would be quickly accompanied by any desirable augmentation of the currency. It is only by its export that Cuba gets value for any American currency which it may hold in excess of the requirements of business at the current level of world prices. To retain such excess would be worse than folly.

The employment of United States money provides for expansion in the Cuban circulating medium when economic conditions call for an increased volume of currency and, given freedom of movement, leads to automatic contraction of the circulation only when such contraction is necessary to prevent inflation. The money has a high homing quality. If Cuba should set up an independent monetary system of the ordinary type, the Cuban notes could not, of course, be exported to the United States when the tendency to contraction became operative. Some substitute for the present elasticity would then be essential to the preservation of stable exchange rates.

The complaint is common in Cuba that foreign banks receive large

¹⁷ Article XI of the trade agreement treaty of August 24, 1934, between Cuba and the United States provides that the custom preferences and other benefits granted in the treaty are subject to "the condition that the government of each country will refrain from subjecting payments or the transfer of means of payment or the disposition thereof to any regulation, restriction, charge or exaction, other or higher than was in force on April 1, 1934, which results in (1) impairing or circumventing any provision of this agreement; (2) placing an undue burden on trade between the nationals or residents of the respective countries, or (3) preventing or hindering nationals of either country residing, doing business, or traveling in the territory of the other country from securing and transferring in or to either country the funds reasonably necessary for, or arising from, such residence, business or travel. . . . Nothing in this article shall be construed to prevent the adopting of measures prohibiting or restricting the exportation of gold or silver."

sums of money on deposit which is not lent in the island but, on the contrary, is sent out of the country. The banks, however, could not possibly export Cuban silver with profit, since the silver coins have no circulation outside the country and, being fiduciary, cannot be melted down for bullion except at great loss. Practically all of the remaining currency in circulation is brought in from the United States at the instance of the banks for the use of their clients so that the banks cannot send out any substantial amount of money which they had not themselves imported and their clients ceased to require.

The phenomenon which is of real concern to the Cubans is not the occasional efflux of money but the steady export of capital. The latter does not necessarily, or even probably, require any outward flow of money. It is paradoxical that foreigners should have made immense capital investments in Cuba at the same time that residents of Cuba, in large numbers, were abjuring home in favor of foreign enterprises and securities. The national gain or loss from either inward or outward movements of capital even where, from the standpoint of the individual borrower and lender, it is successful, is by no means easy to measure. It is nevertheless next to impossible to effect a logical reconciliation of synchronous movements of capital in opposite directions over a long period of time. The appropriate remedy, however, is not compulsion but order, information, and domestic enterprise.

The high elasticity of the Cuban currency system, conditional on the free export and import of money, is an unalloyed virtue and should be preserved in any reform which seeks to provide greater equity and economy.

Economy

The principle of economy in a monetary system requires the use of the least expensive medium of exchange consistent with the unquestioned preservation of the established value of the monetary unit. Money, as an investment, is sterile, and economy requires that the smallest practicable proportion of the total resources of a community be locked up in its monetary stock. To the degree in which an inexpensive monetary medium can, through restriction of supply, be held at a value in excess of the value of the commodity of which it is made, it forms an adequate substitute for full-value money and the community will have greater resources to devote to productive activity. Although the essential condition is met in Cuba, the benefit, as already noted, does not accrue to the Cuban economy. In so far as dollars are

employed, on the contrary, the cost of their currency to the Cubans is precisely the same as if it were pure gold. From the Cuban point of view the only fiduciary currency in circulation is the silver and fractional coinage and the present system, which has the great advantage of providing an almost troubleless medium of exchange,¹⁸ is, in consequence, unduly expensive. The problem is to provide Cuba with a currency which will be equitable and low in cost, and will, at the same time, preserve the present safety and elasticity. Such a currency should be Cuban both in appearance and in fact, since Cuba's aspiration for a national money is natural, legitimate and worthy.

The desired end can be attained on a gold exchange, or dollar exchange, basis. Substantial stability of the dollar is not beyond question but so long as its value is not subject to wild aberrations, and the overwhelming bulk of Cuban foreign trade is with the United States, the dollar cannot but be of decisive importance to Cuba. If either of the above conditions should, in the future, fail to hold, the whole question of the Cuban monetary standard might well be reconsidered but, for the present, the contingency does not seem imminent. At the moment, and perhaps indefinitely, there is no substantial difference between a gold exchange and a dollar exchange basis but, for the sake of definiteness, it is preferable to distinguish between them and to prefer the latter.

Through the use either of a gold, or dollar, exchange standard it would be possible, with far greater safety than inheres in the existing emission of silver pesos, to secure 100 per cent seigniorage on fiduciary issues in lieu of the 60-70 per cent now being obtained. Part of the value of the United States paper dollar currency now in circulation could be turned over to the Treasury and interest earned on the remainder.

The silver peso is, in effect, "a note printed on silver." The silver content is of no importance in maintaining the present value of the peso above the worth of the silver as a commodity. It is the as yet limited supply that secures this result. Through the issuance of a national convertible paper currency (of substantially the same character

¹⁸ The recent progressive decline in the gold value of the dollar of course resulted in a rising tendency in the Cuban prices of products imported from countries other than the United States, especially where the gold content of the currencies concerned was kept constant. It also operated to improve the price of Cuban exports. So large a percentage of Cuban foreign trade is with the United States, however, that the change in the gold value of the dollar left business in Cuba almost undisturbed and, so far as it halted an undue fall in prices, was beneficial.

as the United States paper money now in circulation), strictly limited in supply under rigid and unalterable rules of emission establishing the dollar exchange standard, the silver peso could be replaced by what would be in every way a superior currency and the American dollar could be supplanted by a national circulating medium of equal merit and much lower cost to Cuba. The alleged need for a Cuban central bank, moreover, would be completely covered by such a currency, and its cost converted into a source of revenue.

5. The Dollar Exchange Standard

A stable dollar value for the peso (1 peso = 1 dollar) can be preserved (1) by the selection and maintenance of the same weight of gold for the standard peso as is now or may be contained in the dollar and (2) by the exchange, in both directions and in unlimited quantities, of dollars or acceptable dollar drafts for pesos or acceptable peso drafts at rates which will not deviate from par by more than the cost of transmission of currency between Havana and New York. The standard gold peso would not be coined and the Cuban circulation would consist entirely of Cuban national notes and fiduciary metallic currency.

To insure at all times a currency supply appropriate to the demands of trade and the free exchange, substantially at par, of pesos for dollars and of dollars for pesos, a wholly independent trustee for the Cuban currency should be appointed. For reasons which will presently appear this Trustee should have rediscount privileges with the Federal Reserve Banks of the United States, or equivalent advantages. The Trustee might be any responsible American, or other, bank with suitable facilities in the United States. This Trustee would maintain offices in Havana and New York. It would be the duty of the Trustee (1) to pay out in Havana to any desired amount Cuban national notes, in sums of not less than 5,000 pesos, against the deposit with the Trustee of the same number of dollars of lawful money of the United States of America (actual currency or demand drafts on New York banks acceptable to the Trustee); (2) to receive in Havana, at the option of the holder, unlimited amounts of Cuban national notes or United States paper currency, in sums of not less than 5,000 pesos or \$5,000, in exchange for the Trustee's demand draft on New York for the equivalent face value of lawful money of the United States of America; (3) to pay out in New York, in sums of not less than \$5,000, unlimited

amounts of lawful money of the United States of America in exchange for the same number of pesos of Cuban national notes payable to the order of the Trustee in Havana; (4) to receive in New York, in sums of not less than \$5,000, unlimited amounts of lawful money of the United States of America in exchange for the same number of pesos of Cuban national notes payable to the order of the seller of dollars at the office of the Trustee in Havana. In all cases the Trustee should be empowered to make normal exchange charges for these services.¹⁹ The Trustee would be under obligation to cash immediately all peso drafts received; to withdraw from circulation the peso proceeds, and all other pesos, paid to it in exchange for dollars; and to reissue such pesos only in exchange for an equivalent value of lawful money of the United States of America. Only dollar assets would constitute the Currency Fund in the hands of the Trustee. The pesos in its keeping would, of course, not be assets but potential liabilities.

It would be the further duty of the Trustee to deposit at short term in United States banks of good standing such of its dollar funds as were not required for day-to-day transactions or to invest them in United States government short-term obligations, bankers acceptances, or high-grade short-term commercial paper rediscountable at any Federal Reserve Bank and highly liquid in every other way. The only reserve for a dollar exchange currency is immediately available dollars. This limits investment to liquid American securities of fixed dollar value. Interest and profits on these transactions, as well as on the purchase and sale of drafts, would of course accrue to the account of the Cuban government. The Trustee should be given the power to hypothecate any or all of its assets for the purpose of obtaining temporary loans necessary to the fulfillment of its functions.

Since the Trustee would issue Cuban paper currency only in exchange for lawful money of the United States, the reserve in American funds, or in quickly convertible assets to which the investments of the Trustee must be rigidly confined, would at first be 100 per cent. A 100 per cent reserve is, of course, unnecessary. In view of the vicissitudes in Cuban economy, however, it is desirable to keep a reserve of at least 65 per cent. In the alternative, an uncovered note issue no greater than the minimum sum to which the circulation of standard money in Cuba is, under any foreseeable circumstances, ever likely to fall might be permitted. All issues in excess of this minimum would be 100 per cent covered, dollar for peso. This latter method, which resembles the

¹⁹ On demand drafts such charges would be a small fraction of 1 per cent.

English system under the celebrated Bank Act of 1844, is well suited to the peculiarities of the Cuban economy, but is very costly. In any event there should, at the inception, be no uncovered issue, although it might be provided in the organic law that, after at least a year's successful operation of the plan, the Trustee should turn over to the Cuban government in lawful money of the United States a sum equal, at par of exchange, to 35 per cent of the outstanding issues of Cuban currency made by the Trustee, or \$15,000,000, whichever was the smaller.

The monetary history of Cuba seems to make it safe to assume that, with stable exchange rates against the dollar, the circulation of non-fractional money, over and above the silver pesos now in circulation or in process of issue, is never likely to fall below \$15,000,000. If, at the end of the first year's operation of the proposed plan, it should prove that 35 per cent of the net issues made by the Trustee were less than this amount, additional payments, at the end of each of the succeeding four years, should be turned over to the Cuban government, but only until the total of such payments, including that of the initial year, have reached \$15,000,000. No such payments should be made, however, unless current assets in the Currency Fund were in excess of 65 per cent of the issues of Cuban currency then outstanding, nor should the amount so paid ever reduce current assets below that level. If, subsequent to any such payment, the assets of the Fund should fall below 65 per cent of liabilities on notes outstanding, all earnings should be retained in the Fund until the 65 per cent ratio is restored.

If, as is to be expected, total circulation in Cuba increases, the provision requiring all but \$15,000,000 to be fully covered will be unnecessary and will prove irksome. At the end of the fifth year of successful operation, therefore, this provision might be dropped to be replaced by a requirement that, at the date of the sixth and each successive annual accounting, the Trustee shall deliver to the Cuban government, in lawful money of the United States of America, the value of all assets in excess of 65 per cent of the maximum note issue during the preceding five years. Any subsequent decline in the assets, however, below 65 per cent of the maximum note issue during the quinquennium preceding the date of computation should preclude further payments to the government until the 65 per cent ratio is again established.

It is essential to the success of the proposed plan that there be no new issue of currency of any kind in Cuba except through the Trustee

for Cuban currency. It should be the duty of the Trustee to arrange for the printing, and have available on demand, an adequate supply of unissued notes of all required denominations. No further issue of silver dollars, in either the coin or the certificate form, should be made, and the existing issue should eventually be consolidated with the new paper currency.²⁰ The silver coins deposited in the Treasury against the issue of silver certificates should immediately be turned over to the Trustee as agent who would hold them in Havana and undertake, on demand, to redeem certificates in silver coin. Neither the certificates nor the coin should immediately be convertible into the new national notes. After five years of operation of the proposed currency system, however, silver pesos and certificates might be replaced, at the rate of not more than a million pesos a year, by national notes. This could be done through the exchange of pesos or certificates, received by government departments, for national notes at the office of the Trustee. The law should provide that the silver certificates thus coming into the hands of the Trustee, after being made non-negotiable by perforation, be presented to the Treasury which would thereupon release the Trustee from the obligation to hold the silver which the certificates represent; that, at the discretion of the Trustee, the silver so obtained be sold as bullion and the proceeds thereof added to the Currency Fund; that the uncovered note issue be expanded by the face value of the cancelled silver certificates; but that the receipts from the sale of silver be turned over to the Cuban Treasury only so far as this might be done without reducing the currency reserve below the percentage requirements suggested in the preceding paragraphs.²¹

At the outset all issues of national notes will be covered, dollar for peso, by quick dollar assets available for the redemption of notes. The provisional maximum uncovered issue of \$15,000,000 will be first attained only on condition that the fully covered issue shall, at the moment, be as much as 65 per cent of the total and if, as a result of the redemption in dollars of part of the national notes outstanding, the

²⁰ The danger that exact foreign-made counterfeits of the silver peso will be circulated in Cuba is by no means negligible. The replacement of the peso coins by national notes is desirable on this, if on no other grounds. Eventually, coinage of the silver peso might well be discontinued.

²¹ Though the full value of national notes emitted in exchange for silver certificates is to be added to the uncovered issue, the Cuban Treasury is not entitled to any more than the proceeds of the sale of silver released by the retirement of the certificates. The Treasury has already received a large part of the face value of these certificates in seigniorage profits on the relatively low value of the silver in the silver peso. Counting the gains already realized the proceeds of the sale of silver will give it approximately 100 per cent seigniorage on the notes involved.

currency reserve should later fall below that figure,²² it will be restored out of profits. The existing silver currency will remain in circulation until it can be gradually and safely absorbed in the uncovered issue. As a final precaution, the Cuban government should pledge its full faith and credit to supplement, from the proceeds of a special loan or otherwise, any substantial deficiency in the reserve. Under no circumstances should the Trustee be given power to deposit any part of the Currency Fund in banks in Cuba nor to invest in any but short-term securities readily saleable in New York and rediscountable at Federal Reserve Banks.

The system proposed above will not prove fully satisfactory unless the issue and redemption of fractional coins (those of the denomination below 1 peso) is also put in the hands of the Trustee as agent for the Cuban Treasury. One outstanding defect in the present system of fractional coinage in Cuba is that such coins are not redeemable in standard money. The limitation of the issue of these coins to a fixed maximum is an awkward substitute for such redemption. It is not improbable that, with such a limit, a very inconvenient shortage of such coins might develop, though this has, in the past, been prevented by the importation of United States fractional money. The contrary inconvenience of a surplus of fractional coins tends to occur whenever the decline in business provokes a contraction in the total volume of circulating medium. If there is no means of reducing the supply of fractional coinage, the normal proportion between fractional and standard money is distorted, the fractional money becomes redundant, tends to be dumped into the banks, and goes to a discount. In spite of some elasticity arising from the possibility of shipping back to the United States a part of the total fractional coinage circulating in Cuba (the United States fractional coins), this phenomenon has appeared in Cuba in recent years and, if it had not been for the fact that the decline in wages probably set up a relatively greater demand for fractional than for standard coins, the inconvenience might have been serious and the discount on fractional coins large. As it happened, the discount was confined to banking circles and did not spread to ordinary trade.

To provide an elastic fractional currency of native origin, and to free the Cuban system from dependence on the import and export of United States minor coins, it is recommended, therefore, that out of

²² This will tend to occur whenever, as a result of a decline in the peso value of Cuban trade or for other reasons, there is a reduction in the volume of Cuban circulating medium. The consequent equal reduction in the reserve will reduce the reserve ratio.

the first adequate receipts available to the Cuban Treasury from the operations of the Trustee for the Cuban currency, a special fund of \$1,000,000, to be segregated from all other funds in trust for the Cuban government, be placed in the hands of the Trustee for the issue and redemption of fractional coins. The Trustee should be given the sole right to emit such coins (the seigniorage profit, minus expenses, to accrue to the Cuban Treasury) and should be under obligation to redeem at face value in standard money, without charge and without delay, fractional coins tendered by the public in lots of 100 pesos or multiple thereof regardless of the extent of natural wear of such coins. This will so limit the quantity of fractional coins as to maintain, at all times, their face value. Mutilated or otherwise artificially worn coins should, however, be redeemable only at their bullion value. No restriction should be placed on the total coinage or circulation of fractional money (existing laws to the contrary should be repealed) but the coins should be issued only through sales to the public in exchange for standard money. The Trustee should be under no obligation to withhold from circulation the standard money thus received. The legal tender power of fractional coins should be restricted to 5 pesos for the coins of 10 to 40 centavos and to 25 centavos for those of smaller denominations.

To guard against a possible, if unlikely, rise in the value of silver sufficient to drive the fractional coins to the melting pot, legal provision should be made permitting the Trustee, with the consent of the Secretary of the Treasury, to reduce the proportion of silver in the fractional coins without any change in their total weight or size. It is worth noting, in this connection, that the use of silver for fractional coins is a relic of the times when silver was an almost universal, sole or joint, monetary standard. From the technical point of view silver is by no means the best material for fractional coins. It is unduly expensive, not particularly durable, and is easy to work. The latter quality smooths the path for the coin counterfeiter while the two former impose an unnecessary cost burden on the issuing authorities. Under the system proposed above, it would be entirely practicable, at no distant date, to effect a recoinage of fractional currency with the substitution for silver of pure nickel in all coins up to, and including, the 40-centavo piece. Nickel is so difficult to work that accurate counterfeiting of coins made of that material is extremely unlikely and its wearing qualities are so good that the loss from abrasion is negligible. Its comparatively low value would make clipping, sweating, or other

mutilation unprofitable. Substitution of nickel for silver would not only provide a fractional coinage of technically superior quality but would yield very considerable revenues in the difference between the proceeds of the sale of the silver content of the present coins and the cost of replacement with nickel. The recoinage here suggested, however, is otherwise not of pressing importance and should probably be postponed for some time. With provision for redemption the existing system of fractional coinage would be satisfactory by all ordinary standards and any further changes should probably wait on the more fundamental alterations in the standard money which have been suggested in the foregoing pages.

The transition from the existing system to a national Cuban currency might best be effected (a) by the withdrawal of the legal tender privilege from United States money, (b) by the requirement that all payments to and by government offices be made in Cuban currency, (c) by imposing upon the banks doing business in the island the duty of keeping in national currency a reserve against all deposit liabilities, demand or time, regardless of the currency in which these liabilities were incurred or are expressed, and (d) by a prohibition on all banks doing business in the island against paying out (except in bona fide exchange operations or in the repayment of special deposits requiring the return of the identical money left for safekeeping in the bank) more than a progressively declining percentage of any other than the national currency.

As a prerequisite to these regulations the Trustee for Cuban currency must, of course, be prepared to issue to all applicants under the prescribed conditions such denominations of notes as will adequately meet their needs. The currency law should make provision for high denomination notes for banking purposes. The Trustee should arrange for the printing of all notes, the printing costs to be met by the Cuban government out of an appropriation to the order of the Trustee for this and any other initial expenses. All later expenses, including the recompense of the Trustee, should be paid out of profits before each annual accounting.

The contract between the Cuban government and the Trustee should be terminable at the will of either party, on notice prominently published in Havana newspapers, whenever violation by either, not only of any provision of the trust agreement but of the law on which it is based, is alleged. Holders of national notes have an indefeasible right to all the assets in the hands of the Trustee and the Cuban gov-

ernment should, in addition, make an engagement to take all measures, not inconsistent with the provisions of the law, to maintain the parity of the peso with the dollar.

The currency system proposed in the foregoing pages is a variant of monetary standards now or formerly used with success in India, the Philippine Islands, the Dutch East Indies, Chile, Colombia, Ecuador, Bolivia, pre-war Austria, post-war Switzerland, Sweden, France, and other countries. Given a sound law, and adherence thereto, the record of such currencies, especially for the smaller countries, is good. Through operations similar to those provided in the project advanced for Cuba, appropriate expansions and contractions of the currency under a gold exchange standard are as automatic as if nothing but a pure gold coinage were being employed. The smooth response of such a system to the appropriate stimulus is, moreover, superior to that of gold standards of the ordinary modern type since there is no way in which the direct effect on the currency of an overpassing of the gold points can be offset.

All ordinary exchange business would be carried on by local banks and the Trustee would enter the market, on either side, only when the reciprocal demand, involving dollars and pesos, had driven peso exchange to the import or export point. As a result of the operations of the Trustee, pesos would therefore enter, or disappear from, the Cuban circulation precisely as they would if they were freely coined gold when the gold import or export point had been attained. The cost of transport, however, could ordinarily be saved, and the Trustee who can legitimately charge to his customers the amount of many purely hypothetical transport charges which, in his absence, would be real, can add an equivalent sum to earnings.

The essential function of the Currency Fund is as an automatic regulator of the currency. Despite popular opinion to the contrary any currency is redundant, however small the absolute amount in circulation, whenever it goes to even a slight discount against other currencies of a similar standard. The only real cure for this condition is reduction in supply. This will occur in Cuba through the purchase of drafts on New York—the demand for which is the immediate cause of the discount on the peso—and the consequent withdrawal from circulation of the pesos paid for such drafts. Similarly, the appearance of a premium is evidence of undue restriction of supply. The remedy is expansion, and this will occur in Cuba through the issue of pesos

in exchange for the drafts on Havana, the demand for which is the immediate cause of the premium.

The elasticity of the present currency would be fully preserved under the proposed dollar exchange standard, safety would be amply provided for, Cuba would have a distinctive national currency, and the cost would be much less than under the existing system. The right to United States money in exchange for pesos will be better guaranteed than at present. A capital sum of at least \$15,000,000 should accrue to the government at an early date and, if the total volume of circulating medium accompanying an expansion of business should rise to former levels, this amount would be greatly increased.

The total monetary circulation as of June 1934, was officially reported at \$71,894,084 and had been only \$64,506,364 in December 1932. The comparable figure for 1926 was \$414,355,052. The enormous shrinkage since 1926²³ is full justification for the high reserve requirement of 65 per cent. On the other hand, the possibilities of expanding circulation, and Treasury profits, through restoration of some approach to former conditions, is evident. All of these estimates, however, include Cuban and American gold issued, but no longer in fact in circulation, and unissued United States money in the Havana branch of the Atlanta Federal Reserve Bank. The actual Cuban circulation in June 1934 probably, therefore, did not exceed \$60,000,000, but something like three-fifths of this sum was in United States paper currency. All this paper would be replaced by Cuban national notes.

The acquisition by the Treasury of the equivalent of 35 per cent of the total volume of an expanded circulation should ultimately furnish the government with a capital sum much greater than the \$15,000,000 derived from the original uncovered issue, while the annual earnings on the Currency Fund covering the remainder would depend, of course, on the total volume of currency and on rates of interest. It may be noted that the agency administering the currency of the Philippine Islands—a similar currency of probably no greater volume than may be expected in Cuba—has often earned merely as interest on its balances in the United States sums in excess of \$1,500,000 annually.

²³ The decline in the reported circulation since 1926 receives little support in official figures of export and import of money which show a net outward movement in the period of less than \$80,000,000. It seems incredible that the remainder could be involved in unreported transactions and the conclusion is inevitable that the 1926 circulation figure is much too high.

6. *New Banks*

A Central Bank

Banking in Cuba is almost entirely in the hands of Canadian or United States banking corporations. The Royal Bank of Canada and the National City Bank of New York are in the lead so far as deposits, clearings, and number of branches are concerned and are followed by the Chase National Bank of New York, the Bank of Nova Scotia, the First National Bank of Boston and the Canadian Bank of Commerce. Only one other commercial bank, N. Gelats & Co., compares with these institutions in volume of business done in Cuba and is the only significant local representative in the commercial banking field. Gelats is perhaps of equal importance in Cuban business with any but the Royal Bank of Canada and the National City Bank. Despite sentiment in Cuba favorable to a central bank, there seems to be little present need for such an institution, and there would be still less under the currency system proposed in the foregoing pages. On the other hand, a central bank would be very expensive.

The principal functions of a central bank are: (1) to act as governor of the supply of currency, of bank reserves where these are not currency, and of bank credit; (2) to provide liquid resources in times of emergency. In Canada, where banking is on the whole much better organized than in the United States, there is no central bank to this day, although one is in process of organization. Yet neither in Canada nor in the United States, even before the establishment of the Federal Reserve System in 1913, had the total volume of currency under gold standards deviated greatly from the volume appropriate to the fundamental end of maintaining the price level in equilibrium with that of other countries.

Provided convertibility of bank notes is rigidly maintained, adjustment of the currency to changing domestic and world conditions is an automatic process through the efflux and influx of gold.

In this phase of its activities a central bank, under metallic standards, is therefore by no means essential; it is merely a device for economizing on the stock of gold necessary to preserve convertibility. The concentration of gold reserves, as contrasted with their diffusion among a perhaps large number of competing institutions, has the same influence in increasing efficiency as the concentration of scattered detachments of troops into an army corps. Such efficiency, of course, is much

to be desired, but the appropriate measures to secure it will vary with changing circumstances.

So far as the existing Cuban monetary system goes, it has already been noted that there can be no question of reserves against notes since the dominant element in the currency—United States paper currency—is itself reserve money from the Cuban point of view. The only objection to this is its expense. Under the proposed dollar exchange standard, which will be economical, substitute reserves would be necessary and they should be concentrated. The function of the Currency Fund held by the Trustee is to provide this service—and the principal difference between such a fund and the typical gold reserve of central banks is that, in the one case, the fund earns interest and, in the other, it does not. The dollar exchange standard will permit Cuba, in effect, to use the gold reserve of the United States' Federal Reserve system; to save, in this way, the expense of an idle gold or non-interest-bearing foreign monetary supply; to earn interest on assets which will nevertheless be quite adequately liquid; and to withdraw a considerable percentage of the resources now invested in foreign bank notes. Bank reserves will consist of Cuban national notes, the supply of which will be subject to automatic control similar to that of the present currency. Bank credit, in turn, will be subject to the salutary limitation now in operation, the requirement of convertibility into notes. The chain from dollar exchange, through Cuban national notes to deposit credit, will thus retain the same restraints on inflationary tendencies as are effective at present.

A central bank in a country like Cuba, where the total volume of circulating medium is subject to extreme fluctuations, would have a relatively much more difficult task than is imposed on the Federal Reserve Banks, the Bank of England, or similar institutions operating in countries of diversified economic structure, where variations in the volume of currency are comparatively small. Such a bank, if it is to perform its functions properly, would be forced to keep so high a reserve as to make it next to impossible to earn its way. It would probably never be called upon to aid, by rediscount, any of the foreign banks now doing the great bulk of the country's business, and its portfolio would therefore be derived from, and through, existing or prospective native banks of uncertain standing. Having almost no high grade earning assets, it must necessarily be overshadowed by the present great banks, of which it could be no more than the ostensible head.

It is, in consequence, not only an open question whether it is desirable to subject the commercial banks to the nominal control of an *ad hoc* central institution but, granted that it were, whether the resources of such a bank would be inadequate to its needs.

The foreign banks operating in Cuba are survivors of a drastic process of liquidation in which they have demonstrated their ability to ride out the financial storms to which the island is subject. They have no need of local rediscounting facilities, since they can always call on the immense resources of their parent institutions. Any one of them is in this way sure of effective emergency aid in volume greater than is required to meet any potential calls arising from their Cuban business, and greater than a Cuban central bank could, on a sound financial basis, possibly render. As some one has said, Cuba already has six central banks. The emergency function of central banks is therefore quite exceptionally performed under the existing system.

The real impetus behind the movement for a Cuban central bank comes not so much from those who desire to improve the present situation, along even remotely conservative lines, as from those who think of the proposed institution solely as a very generous Bank of Issue. The actual uncovered, and therefore earning, issue which could be put forth by a Cuban central bank without traffic in inflation would, for reasons already stated, be so limited as to restrict potential profits to an insignificant figure. As an earner, a central bank run according to the best standards would therefore compare most unfavorably with a well-managed dollar exchange system. As an engine of inflation, on the other hand, a central bank could earn money, but at a very high cost to the nation at large.

Two minor functions of a central bank are: (1) the transfer of funds, including the clearing and collection of checks, and (2) the performance of fiscal and financial services for the government.

With a system of unit member banks, such as prevails in the United States, the operation by the central bank of an effective transfer, clearing, and collection mechanism is of great value. But where, as in Cuba, the branch banking system is in vogue, the service is adequately provided by the ordinary commercial banks and nothing further is required.

The Cuban government is forbidden by a law, to some extent honored in the breach rather than the observance, to deposit money in banks. The bulk of its cash resources are held in the Treasury. The

amount of these holdings varies and undesirable fluctuations in the volume of circulating medium, arising from a seasonal excess of government receipts over expenditures or of expenditures over receipts, are only partly nullified by the extraordinary elasticity of the Cuban currency. The system is at best defective and, aside from an awkward carrying over of excess receipts, when they occur, into a period of deficiency, the Treasury has no means of effecting a correlation of revenues and expenditures. Interest on balances is lost, and the lack of facilities for short-term borrowing impels the government from time to time to impose a forced loan on its creditors, including the civil service, through a more or less temporary repudiation of its obligations.

The government should have a fiscal agent, but there is no urgent reason why this should be a central bank. Selection of any strong commercial banking institution as the bank with which the government will do its business would serve every legitimate purpose. The Bank of Montreal has for decades acted in this capacity for the government of Canada. Restoration of the Cuban government's domestic credit through balancing of the budget and payment of long overdue accounts is a prerequisite to satisfactory relationships with any bank but, once this is attained, the present more or less complete isolation of the Treasury from the banking of the island should be ended. The Treasury should never dominate the banking system but there is no reason whatever why it should not use it. All essential banking services in Cuba can then be rendered without the establishment of a central bank which would not only be costly but would not improbably endanger or destroy the whole monetary system.

Commercial Banking

Commercial banking in Cuba is adequately handled by the present foreign institutions, which secure their capital and render their services at least as cheaply as soundly managed native banks could do. There will always, of course, be a division of opinion between borrowers, to whom the lender bank will appear niggardly and avaricious, and the bank, which must act with the caution of a trustee in investing the funds of its stockholders and depositors. But there is no evidence that the foreign banks have made large profits out of their Cuban business, and little reason for believing that they have refused loans to any borrower who, in their judgment, was reasonably sure of meeting his

engagement to them. The situation may have called for more credit than this but it was hardly the function of the banks to provide it. The fact that native banks have succumbed under conditions prevailing since 1920 points rather to the conclusion that the foreign banks, in their purely commercial banking activities, have contributed to the Cuban economy a service for which they have received a relatively meager recompense.

It is unfortunate, however, that there is not a greater representation of native institutions. On sentimental, if on no other grounds, it would be desirable to have more competition from banks owned and controlled by Cubans. In the long run this would even be in the interest of the foreign banks themselves, since nationalistic feeling will otherwise inevitably provoke increasing hostility toward foreign banking "domination."

There is, of course, nothing to prevent the establishment of native banks and, if a stabler economy can be developed, nothing to preclude their success. An early effort should therefore be made to purchase or set up a locally owned and controlled commercial bank which will command respect for its strength and management. The government might perhaps participate in the formation, and even hold a minority of the stock, of such a bank. The control and management, however, should be entirely in private hands; the bank should have no note issuing powers;²⁴ and, if made the government's fiscal agent, should be restricted in its powers to lend to the government in very moderate amounts at short term. The government should seek, through such an institution, to develop an outside market for short-term obligations, and should so manage its finances as to make these readily acceptable as an investment for temporarily idle funds. Emergency support by the government for a solvent but momentarily illiquid bank of this character should not be withheld.²⁵

A strong Cuban bank would start with an asset of great worth in the good-will which it could readily attract; it would serve as a useful check on any possible prejudice the foreign banks might show; it would so round out the commercial banking structure as to provide

²⁴ If the reforms here proposed are adopted, such powers should be generally denied.

²⁵ The private banking firm of N. Gelats & Co. came through the depression of 1920 and subsequent years with colors flying, but practically all of the native joint stock concerns have gone under. The *Banco Nacional de Cuba* and the *Banco Español*, which failed in 1920, had been large and flourishing institutions and the *Banco del Comercio* and *Banco Comercial de Cuba*, which suspended payments in 1931 and 1933 respectively, were of considerable importance. Nineteen native banks, with 334 branches, went under in the 1920 crisis. The total number of branches of foreign banks in the island is now between 50 and 60.

every public and private service in this field for which there is any rational need or demand in Cuba. The financing of small industrial enterprises might well command a major share of the attention of the bank here projected.

7. *Agricultural Credit*

The potential usefulness of a locally controlled commercial bank is, however, slight in comparison with that of an agricultural bank dealing in intermediate and long-term credits.

Intermediate credits in the sugar industry are partly supplied, to the larger producers, by the commercial banks, but this is less true of tobacco and is scarcely true at all of any other agricultural product. Credit conditions in agriculture as a whole are primitive. Small growers, even of the so-called "money crops" such as coffee, are commonly financed for their off-season outlays by middlemen in the industry, by "company stores," or by local merchants of general supplies. Under such conditions the cost of credit is ruinously high. The borrower is bound to the merchant from whom he must buy and to whom he must sell at prices which are adverse to him in something like direct proportion to his indigence. Nominal interest may not be high, or even present, in such loans, but the real interest burden is heavy in the extreme. There is, moreover, no stimulus toward thrift. The lender's losses on uncollected debts are shifted, through rates and prices, to those who meet their obligations and, when jobs are being dispensed, the man who is comparatively free of debt is sometimes subjected to unfavorable discrimination just because he is able to buy where he will.

From such a system the virtuous suffer equally with the profligate. There is urgent need, therefore, for credit agencies which will discriminate adequately between good and bad risks, and will offer to the honest and industrious farmer an opportunity to emerge from poverty. Little can be done for congenital economic weaklings. To them the cost of credit must remain high, or even rise, but for the bulk of producers the way should be made much smoother than it has been in the past.

The situation in long-term agricultural credits is scarcely better than in those of intermediate duration. The *Banco Territorial de Cuba* conducts a mortgage business but much of this is in urban real estate and its operations in recent years have been much restricted. The bulk

of mortgage financing is still done by individuals. For agricultural mortgages, at any rate, this is unsatisfactory. A national agricultural mortgage institution, providing credit on conservative lines at low rates of interest, with provisions for regular amortization over a long period of years, is much to be desired. Such an institution, however, would require a considerable capital and a large domestic or foreign market for its bonds. These do not now exist and cannot be created overnight. Agricultural land values, moreover, are now so low as to furnish an inconsiderable basis for reconstruction operations. While keeping the eventual organization of a national agricultural mortgage system steadily in view, it is preferable to concentrate, for the present, on the provision of intermediate credits. Long-term improvements in and on the land of small holders will be possible only when immediate value yields have been enhanced. Too ready access to mortgage credit, moreover, might under existing conditions be an evil rather than a good.

Intermediate Credit Bank

Financial assistance during the making and marketing of a crop, on the other hand, is essential to the program of diversification on which the steady prosperity of Cuba depends. Outside the traditional lines of sugar and tobacco, however, it is difficult to obtain such credit from existing banks or private individuals. No better use could therefore be made of the bulk of any otherwise unattached funds accruing to the government as a principal sum from the operation of the gold exchange standard than as capital for an agricultural credit bank.

It should be the chief function of such a bank to promote national agricultural diversification and it should therefore restrict its advances on sugar, especially for purposes of expansion of that crop, to the minimum practicable proportion of its total loans. Its general procedure might well parallel that of Intermediate Credit Banks in the United States or the cooperative agricultural credit institutions of certain European countries. Loans to individuals should perhaps not be precluded, but the bank should exert its influence toward the building-up of associative production and sale by offering good terms to associated or cooperative borrowers jointly and severally responsible for the loans. Special partiality for loans sponsored by a central cooperative selling association should be shown. Both the costs of risk and of administration could be lowered in this way, and the organization of a sound agricultural economy could be greatly furthered.

Progress along this line cannot be rapid, but it can be sure if the lessons offered by the experience of other countries are well learned.²⁶ No successful system is likely to be imposed from above but must be built from the ground up step by step. The alternative to conservative growth is the almost inevitable loss of the bank's capital and the disheartening failure of the whole project. It would be the part of wisdom to put the management of such a bank, in its initial stages, in the hands of a man experienced in the vicissitudes of agricultural credit in other countries, and to err on the side of caution rather than on that of undue venturesomeness.

The funds required by an agricultural bank of adequate size will far surpass its own capital. A market for its securities is therefore essential, and this can be obtained only when there is confidence in the value of its portfolio. Logically, if not chronologically, the bank should be the apex of a comprehensive credit structure which will organize weak and unknown, though responsible, borrowers to bring them into contact with the sources of credit.

The sources of credit would be much more copious if savings facilities were less sparse than at present and rates of interest on deposits were higher.

SAVINGS AND CURRENT ACCOUNTS AS OF DECEMBER 31, 1928-1932

Year	<i>Number of Banking</i>		
	<i>Offices</i>	<i>Savings Accounts</i>	<i>Current Accounts</i>
1928	107	\$45,324,817	\$119,803,524
1929	112	43,717,363	119,900,188
1930	97	35,244,087	96,770,046
1931	100	26,754,664	77,834,484
1932	80	26,462,962	70,041,415

Today there are less than 86,000 savings accounts in Cuba, and only \$26,000,000 deposited, a per capita deposit of roughly \$6. Practically the sole avenue open to the small saver is the savings department of the commercial banks. These banks pay interest at 2 per cent on such deposits.²⁷ The great spread between the rates received by the depositor and those paid by the typical small borrower²⁸ is sufficient evidence of the failure to bring the two groups together except at excessive cost. The commercial banks have a plethora of funds and a

²⁶ An excellent discussion of the problem in the United States is to be found in Frieda Baird and Claude L. Benner, *Ten Years of Federal Intermediate Credits* (Washington, Brookings Institution, 1933).

²⁷ The rate on current accounts is 1 per cent.

²⁸ Small loans are negotiated at from 8 to 12 per cent even where the security is relatively good.

comparatively slight demand for the type of loans they feel justified in making. Savings deposits, not subject to sudden withdrawal, are best invested in longer-term securities than those which the requirement of liquidity prescribes for commercial banks and the development of mutual savings banks, credit unions, or similar institutions would not only provide a much needed repository for small funds but would furnish a market for the bonds of any governmental agency or of a private investment, or agricultural, bank which could inspire the requisite confidence.

The government should make strenuous efforts to foster the spirit of savings and the agricultural banking organization proposed in the preceding section should provide savings, as well as lending, facilities for its clientele.

8. *Other Financial Institutions*

Building and Loan Associations

There are no building and loan associations in Cuba although real estate sub-division companies have, in the past, furnished a more or less satisfactory service analagous to that of such associations. Building and loan societies might be important agencies for savings as well as for investment. They can be successfully established without large capital funds and, if properly run, could be a very significant factor in the Cuban financial structure. There would seem here to be a wholly uncultivated field for local enterprise.

Trust Companies

The same may be said of trust companies. The personal trustee, the world over, is being replaced by the corporation which, in most instances, can carry on trust business with far greater satisfaction to the *cestuis que trust* than is possible for individuals. The Trust Company of Cuba seems to be the sole corporate representative in this business in Cuba²⁹ and its trust activities are now, perhaps, the least important part of its business. Trust companies might also furnish a desirable market for urban and rural mortgages. Given appropriate legislation,³⁰ the scope of operations of trust companies and specialized banks lending on real estate security could no doubt be greatly extended.

²⁹ Some of the commercial banks, however, have trust departments.

³⁰ There is no law in Cuba regulating the functions of trustees.

Investment Banking

Investment trusts and investment service could seemingly be carried on, at least as a supplementary activity, by existing financial institutions, but little is now done along this line. Local financial enterprise might well find more favorable opportunities in furnishing new services of this kind than in competing in the provision of the old.

The urban mortgage field is quite inadequately covered and should perhaps be served by an institution paralleling that already projected for agriculture.

Consumers' Credit

There appears to be ample provision, of a kind, for the small consumer borrower. Accommodations range all the way from pawnshops to institutions with a quite imposing façade. The Commission is not prepared to say that the interest paid to all such lenders is excessive, but there is so much evidence of ruinous exploitation that the cleansing of this Augean stable is a matter of major importance. Experience has shown that usury laws are a futile gesture. The only real solution is competition motivated by the desire to aid the temporarily embarrassed but responsible small borrower, rather than to exact from him the full pound of flesh and even then retain a hold on the withered body. The development and modernization of limited-dividend small-loan corporations, such as the *Monte de Piedad* established in Havana in 1845, to provide facilities at minimum rates to the many worthy borrowers who have no access to the ordinary credit agencies is an urgent requirement of most, if not all, of the cities. Nothing is so demoralizing to the honest and competent worker as a burden of debt, originally incurred perhaps through sheer misfortune, which continues to mount in spite of payments that, at any reasonable rate of interest, would quickly extinguish it. The benefit of putting such loans on a feasible basis of repayment is immeasurable, and constitutes a pressing public duty.

9. The General Problem

The general credit problem of Cuba is twofold: (1) to reduce the spread between the interest received by the small depositor and the interest paid by the local borrower, and (2) to nullify the tendency of the comparatively wealthy to invest abroad at rates of interest

greatly below those prevailing on loans at home. Potential small savings are dissipated through lack of suitable investment media and the larger savings leave a country in which the risk of domestic investment is deemed to nullify much more favorable rates of interest. The establishment of appropriate institutions for gathering small savings to be invested in conservative activities in Cuba, with the development of a diversified, and therefore more stable, economy, will increase the volume and reduce the risk of home investment and thus go far to remedy the anomaly of the export of domestic capital from a country where borrowers must pay high interest charges.

A sound economic and financial system which will encourage investors to place their money at home depends of course on political order and on stable, appropriate, and intelligible laws within which commercial integrity can demonstrate its superiority to chicanery. Drastic penalties should be imposed on business fraud. The era of moratoria, of tax amnesties, of preference for new as against old lenders, and similar palliations of the obligation of prompt payment of debts, should be closed as soon as possible. The most drastic composition is better than a lengthy or indefinite moratorium. Whether the series of partial and general moratoria, culminating in the sweeping Decree-Law No. 412 of August 14, 1934, was or was not necessary must always be a disputed question. This Decree established a moratorium extending to June 30, 1942 on all loans or advances, with certain exceptions, and provided for the gradual amortization of these debts over this period of eight years. It is at any rate to be hoped that that decree, which sets a term on the moratorium it grants and couples with it a forced composition of debts not wholly ruinous to the creditor, will be the last of its kind and will provide a *via media* on which a sound credit structure can be rebuilt. Business, whether governmental or private, can thrive only so far as men can take decisions with reasonable certainty that basic rules will not be changed in the middle of the game, nor must the rules be so complex and ambiguous as to discourage productive players and transfer interest to interpreters and referees.

Necessity, indeed, knows no law and, in times of stress, rules go by the board. Reconstruction, however, requires security, confidence, rigid adherence to contract, and a minimum of parasitic activity. Aside from political order, the government, therefore, could hardly make a greater immediate contribution to the welfare of the people than by the enactment of clear, cogent, and comprehensive commercial

legislation together with adequate provision for its enforcement without endless litigation. A comprehensive report on commercial law, prepared in 1926 by Judge Charles S. Lobingier at the instance of the American Chamber of Commerce of Cuba, might well provide the basis for this legislation with such supplement and alterations as later developments may show to be desirable. A general banking act, proscribing such violations of ordinary banking prudence as have been largely responsible for the ruin suffered, in certain previous years by Cuban banks and their depositors, would go far toward promoting a sound development of local banking. The dominant position of foreign banks in Cuba has been due almost as much to the flatness of the bulk of the surrounding structures as to their own eminence. Legislation establishing at least a minimum standard of good banking would, in the long run, be the most effective means of combating the practical monopoly of foreign banking corporations and of furnishing a healthy competition from strictly Cuban institutions.

NOTE: Where reference is made in this chapter to Decrees No. 93, 153, 244, 256, 259, 268, and 339, in each case Decree-Law is meant.

CHAPTER XV

THE PUBLIC FINANCES OF CUBA

The public finances of Cuba are administered by the national government, six provinces and 125 municipalities. Only the national government and the municipalities, however, collect taxes. The provinces are simply spending agencies and their revenues come entirely from surcharges imposed on municipal taxes.¹

In Cuban public finance the national government plays relatively a far more important rôle than it does in the United States. In recent years approximately 80 per cent of the tax collections have been made by the national government, as contrasted with between 35 and 40 per cent in the United States. The degree of financial centralization in Cuba is even greater than the figures of tax collections would indicate, as part of the taxes collected by the municipalities is paid over to the national government as recompense for taking charge of municipal sanitation and performing other services. The following table shows the revenues of the various units of government in the fiscal years 1929-1930 to 1933-1934.

GOVERNMENT REVENUES *

	<i>Municipal</i>	<i>Provincial</i>	<i>National**</i>
1929-30	\$18,962,189	\$2,912,228	\$95,278,376
1930-31	16,855,772	2,805,965	74,887,772
1931-32	15,478,576	2,523,416	57,733,037
1932-33	10,112,226	2,389,611	53,033,321
1933-34	8,856,064	2,177,445	49,869,000†

* Figures for municipal and provincial revenues are budget estimates: those for national revenues are actual collections.

** Including Public Works. This table presents some overlapping, inasmuch as transfers have not been deducted.

† Public Works Fund figures estimated and unofficial.

1. *Main Characteristics of National Tax System*

The Cuban tax system is based on the colonial system of Spanish days, the principal source of revenue consisting of indirect taxes levied

¹ In 1931 Professors E. R. A. Seligman and Carl Shoup of Columbia University prepared, at the invitation of the Cuban government, *A Report on the Revenue System of Cuba*, which gives a detailed picture of the tax situation as it stood in that year. This report, hereafter cited as the *Seligman Report*, has been most helpful to the Commission in the preparation of the present chapter.

on commodities. Only in the last few years has any serious attempt been made to tax profits, interest or salaries, and the progressive principle, involving the modern conception of taxation on the basis of ability to pay, has been introduced to a very limited degree. In this respect the Cuban tax system does not differ greatly from the present tax systems of most Latin-American republics or that of the United States before the introduction of the progressive income tax. Such a system of indirect taxes had the advantage of not presenting great administrative problems, although in periods of prosperity persons with large incomes escaped their fair share of the tax burden.

In recent years the Cuban government has created many new taxes. A sales tax of 1 per cent was introduced in 1922. In 1925, as part of the Public Works Law of that year, several new taxes were imposed and existing taxes increased, and the proceeds turned over to a Special Public Works Fund. After 1927 customs duties were greatly increased, particularly on foodstuffs. The Emergency Tax Law of 1931 modified a number of existing excise, stamp and property transfer taxes. It also imposed a progressive tax on business profits, reaching a much greater number of concerns than were hitherto subject to the profits tax, a tax on dividends and interest, and a progressive tax on salaries and wages,² placed sumptuary taxes on a wide range of articles, almost all imported, and increased consular fees. New tax laws greatly increased the tax on matches³ and imported cigarettes, imposed internal consumption taxes on several staple consumption products, and made what was in effect a general increase in tariff rates by raising consular invoice fees from 2 to 5 per cent. Some of the tax changes recently made were desirable, but inadequate attention appears to have been given to administrative problems. Such problems were almost inevitable in the creation of new taxes, particularly direct taxes, but the difficulties were needlessly increased by careless framing of legislation. Furthermore, recent tax history has been marked by the development of two questionable practices. The first is the creation of new taxes where the same result, both as regards revenue and incidence on the taxpayer, could have been obtained more easily by the increase of an already existing tax. The special taxes collected at the customs house on imported goods are outstanding examples of this development. The second is the allocation of part or all of the proceeds of given taxes to particular purposes. The outstanding example of such

² The tax on salaries and wages has as yet not gone into effect. Cf. p. 357.

³ The match and foreign cigarette taxes were recently reduced.

REVENUES OF THE NATIONAL GOVERNMENT, CLASSIFIED BY PRINCIPAL SOURCES

<i>Budget Revenues</i>	1924-1925	1925-1926	1926-1927	1927-1928	1928-1929	1929-1930	1930-1931	1931-1932	1932-1933
Customs	\$49,409,567	\$44,555,799	\$41,722,236	\$38,767,264	\$38,386,460	\$36,181,720	\$26,651,895	\$20,138,942	\$14,885,382
Sales Tax (1%) . .	10,753,107	10,395,418	9,466,577	10,184,824	10,718,609	10,437,336	8,532,803	4,417,668	3,221,165
Profits Tax	5,151,196	3,400,430	2,179,561	5,823,959	4,371,643	6,079,245	3,535,917	3,058,314	2,639,517
Excise Taxes	4,908,095	6,030,266	6,114,455	5,414,438	5,053,907	4,404,894	4,350,395	3,663,258	3,852,108
Lottery	3,727,353	4,766,077	4,307,833	3,968,658	4,288,101	3,980,883	3,043,902	999,938	569,155
Sugar Tax	3,462,462	3,509,448	3,164,744	2,766,604	3,600,246	3,214,247	2,133,155	1,840,115	1,467,029
Stamp Tax	2,832,974	2,932,072	2,592,169	2,560,911	2,786,022	2,799,575	2,456,244	2,328,265	2,196,010
Property Transfer Tax	2,342,750	2,478,650	1,905,973	2,296,856	1,568,744	1,882,604	1,536,967	1,599,629	1,193,524
Communications Receipts	2,885,467	2,853,165	2,603,205	2,356,799	2,493,468	2,531,429	2,259,279	1,866,473	1,343,324
Ports Improvements Tax	2,241,289	1,955,661	1,772,928	1,632,248	1,542,521	1,455,981	1,062,841	776,293	563,559
Consular Fees	1,681,117	1,571,318	1,427,094	1,287,128	1,244,529	1,151,623	1,174,365	2,161,657	2,149,863
Consumption Tax . .	.....	.....	.....	.....	.....	.....	.....	.....	5,976,692
All other Taxes . . .	4,163,923	2,949,872	2,825,240	4,823,761	3,132,277	3,037,550	2,843,003	4,126,001	3,595,562
Total Budget Revenues ¹	\$93,559,300	\$87,398,176	\$80,082,016	\$81,883,450	\$79,186,528	\$77,157,087	\$59,580,766	\$46,976,552	\$43,652,890

Public Works Revenues

Sales Tax ($\frac{1}{2}\%$) .. \$	3,420,760	\$ 4,591,689	\$ 4,932,752	\$ 5,291,586	\$ 5,166,892	\$ 4,245,119	\$ 2,206,050	\$ 1,608,195
Gasoline Tax	3,935,206	4,305,505	4,455,591	5,021,542	5,150,039	4,829,197	4,212,884	4,241,613
Tax on Income from								
Real Estate	2,014,654	2,769,677	2,913,110	2,974,949	2,760,813	2,254,708	1,607,948	1,347,924
Transport Tax ...	2,222,079	2,143,408	2,116,220	2,363,249	2,381,765	2,069,832	1,645,828	1,337,853
Customs Surcharges	1,301,158	1,425,930	1,341,549	1,369,529	1,268,177	829,776	428,498	320,821
Capital Export Tax	734,049	1,120,735	1,334,953	1,220,342	1,118,217	921,618	540,477	419,835
Excess Territorial Tax .....	..	4,910	53,735	260,619	260,524	151,972	105,163	89,186
Fines, etc. ....	..	4,697	15	.....	14,861	4,786	9,637	15,004

Total Public Works

Revenues \$	\$ 13,627,906	\$ 16,366,552	\$ 17,147,925	\$ 18,501,817	\$ 18,121,289	\$ 15,307,008	\$ 10,756,485	\$ 9,380,431
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Combined Budget and Public Works

Revenues	\$ 93,559,300	\$ 101,026,080	\$ 96,448,568	\$ 99,031,375	\$ 97,688,345	\$ 95,278,376	\$ 74,887,772	\$ 57,733,037	\$ 53,033,321
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¹ The summation of Budget Revenues does not in all years agree exactly with the figure for Total Budget Revenues.

allocated taxes—or dedicated revenues, as they are frequently called in the United States—are the public works taxes, created in 1925 to finance Machado's public works program. These taxes do not figure at all in the general budget. As a result of establishing this and other special funds, the regular Cuban budget does not give an accurate picture of the country's public finances, and it is difficult to compare it with that of countries which have a unified fiscal system. The table on pages 352-353 shows by principal sources since 1924-1925 the revenues of the national government included in the budget, and the revenues allocated to the Special Public Works Fund.

2. Principal Sources of Revenue

Customs Revenues

Until 1927 the Cuban customs tariff was essentially a revenue tariff. In 1927, under President Machado's leadership, the country embarked on a policy of extreme protectionism. The new policy was ostensibly for the purpose of fostering diversification, both agricultural and industrial. In many cases, however, very little attention was given to the adaptability of the country to the protected industries, and it has been frequently charged in Cuba that the broad executive powers of the President over the tariff were in many cases used for the benefit of political favorites. Whatever the motives or the ultimate desirability of these tariff changes, one of the immediate results was to increase greatly the cost of many staple foodstuffs which entered into the diet of the masses. In some cases, as on rice, corn, lard, jerked beef and beans, the ad valorem equivalent of the new duties was well in excess of 100 per cent.

Regular customs duties produced, until recent years, over half of the revenues of the Cuban government. In the fiscal year 1924-1925 the customs produced over \$49,000,000, which was more than 55 per cent of the total revenue included in the budget. Since that year both the absolute amount of regular customs revenues, and their percentage of total revenues, has steadily declined. In 1932-1933 and 1933-1934 the regular customs revenues were barely a fourth of what they had been ten years before. In 1932-1933 they were less than 35 per cent of the budget revenues, and less than 28 per cent of the combined budget and public works revenues. Yet the decline, both relative and absolute, of customs revenues is in effect far less than the figures would indicate, as large sums not recorded as customs revenues are collected on the

importation of goods. The more important of these special duties are: consular invoice fees, ports improvements tax, customs surcharges and the gasoline tax.⁴

In addition to these taxes, which are collected only on imported goods, there are numerous other taxes, including the sales tax and excise and internal consumption taxes, collected at the customs house. Most of these ostensibly apply equally to domestically produced products, but in some cases, as indicated below, they have become in fact merely additional customs duties.

The complications which such a situation adds to the administration of the customs can be readily appreciated. Rarely is an article imported without being subject to three taxes, many imports pay from four to six, and some imports might be subject to as many as eight taxes.

Sales Tax

This tax was first introduced in 1922. The rate was originally 1 per cent, but was changed in 1925 to 1½ per cent, and the additional ½ per cent allocated to the Special Public Works Fund. For several years the sales tax yielded over \$15,000,000, or between 15 and 20 per cent of the national revenues, and in the last two years has yielded about \$5,000,000, or approximately 10 per cent of the total.

This tax is generally criticized on the ground of administration. Almost every merchant with whom we talked, although assuring us

⁴ *Consular Invoice Fees.* With limited exceptions, a fee equal to 5 per cent of the value of the goods imported is collected on all consular invoices. This is in effect an ad valorem duty of 5 per cent. The consular fees have been equal in the past two years to nearly 15 per cent of the regular customs revenue and have been about 5 per cent of the total revenues of the national government. The trade agreement of August 24, 1934 between the United States and Cuba provides that after July 1, 1935 Cuba shall limit consular invoice fees on shipments from the United States to 2 per cent.

Ports Improvements Tax. All imports are subject to a tax, based on weight, which according to law is allocated to the improvement and maintenance of docks and harbors. This has been equal to about 5 per cent of the regular customs revenues.

Customs Surcharge for Public Works. The Public Works Law of 1925 authorized the President to impose surcharges of 10 per cent on all customs duties levied on luxuries, and 3 per cent on all other imports except articles of prime necessity. These revenues do not appear in the regular budget, but are part of the special Public Works Fund. The yield from surcharges has been equal to about 2½ per cent of the regular customs revenues.

Customs Surcharge for Charitable Institutions (Obras Benéficas del Patronato). An additional tax is levied on specified imports—notably automobiles, cigarettes and jewelry—and the proceeds are assigned to a special fund for charitable institutions.

Gasoline Tax. The Public Works Law of 1925 created a special tax of 10 cents a gallon on gasoline, to form part of the Public Works Fund. There is no production of crude petroleum in Cuba, and the entire tax is collected as an import duty, either on refined gasoline, or on the estimated gasoline content of the petroleum imported for local refining. The gasoline tax in its first year, 1925-1926, yielded an amount equivalent to about 8 per cent of the regular customs revenues, and in the last five years to between 15 and 20 per cent of the regular customs revenues.

that he was scrupulous in paying this tax, believed that most other merchants shamelessly evaded it. One factor which is believed to have facilitated evasion of this and other taxes in recent years is the drastic cut in the salaries of officials, reducing their incomes to a figure that has made many of them susceptible to bribery. The failure of higher officials adequately to inspect the work of collectors has undoubtedly increased the temptation for taxpayers and tax officials to conspire to evade the law.

In so far as the sales tax applies equally to imported and domestic goods, it does not have the effect of an import duty. But in fact a considerable portion of domestically produced products are partially or wholly exempt from the tax: farm produce sold directly by producers, food products sold by street peddlers or at small stands, and alcoholic liquor and other articles subject to excise duties. What proportion of domestically produced articles escape the sales tax in whole or in part we have no means of knowing. It must reach a large figure, however, and to the extent to which it is evaded the sales tax is equivalent to an import duty.

Excise ("Loan") Taxes

Taxes on tobacco products, alcoholic liquors, mineral water, soft drinks, playing cards and matches were created in connection with the Speyer loan of 1904, and the revenue from these taxes was specifically pledged to the service of the loan. Some changes were made in rates by the Emergency Tax Law of 1931, and a tax on vinegar and automatic lighters was added.

These taxes are collected at the customs house, in addition to the import duty. In so far as the tax applies equally to imported and domestically produced articles, its collection at the customs house is merely an administrative convenience. On a number of articles, however, particularly since 1931, the "loan" tax has been made higher on the imported than on the domestic article, thus making part of the tax in effect an import duty. For example, the excise tax on imported beer was four and a half times the tax on Cuban beer, and that on imported cigarettes was nearly seven times that on Cuban cigarettes.⁵

Producers of articles subject to these "loan" taxes are exempt from the corporation profits tax and from the sales tax—although the arti-

⁵ The trade agreement of August 24, 1934 between the United States and Cuba provided that Cuba will not collect higher excise or other internal taxes on United States products than on products of Cuban manufacture.

cles are subject to the sales tax after they have been disposed of by the producer. These exemptions are presumably made because of the provision of the Speyer loan contract forbidding the Cuban government to place additional taxes on these products.

These taxes have been unusually steady in their yield, producing nearly 80 per cent as much in 1932-1933 as in 1924-1925. With a few exceptions⁶ the rates of the "loan" taxes are comparatively low, even after the recent increases.

Profits Tax—Salaries Tax—Interest Tax

As early as 1900, under the American occupation, a tax was placed on the profits of incorporated concerns, but due to administrative interpretation, very few concerns were subject to the tax. In 1920 a general business profits tax of 4 per cent was introduced, and in 1926 the scope of the tax was more clearly defined and the rate raised to 8 per cent (with a lower rate in a few specified cases). With a few exceptions—notably banks, sugar mills, railroad and coastwise shipping companies, and mines, which are subject to special taxation whether incorporated or not—this tax applied only to incorporated concerns. The emergency tax law of 1931 made the profits tax applicable to all unincorporated business, on a progressive scale varying from 2 to 10 per cent. All incorporated concerns, and all banks, mines and sugar companies, whether incorporated or unincorporated, were subjected to a similar progressive tax, but with a minimum rate of 8 per cent. As before, shipping companies and railroads are taxed at a flat rate of 6 per cent.⁷

The Public Works Law of 1925 imposed a tax of 2 per cent on interest from real estate loans, and this tax produced between two and

⁶ Notably playing cards, imported cigarettes, and automatic lighters. Recent experience with taxes on these articles illustrates the difficulties which arise when rates are fixed so high as to stifle legitimate trade. The 1931 law raised the excise tax on a pack of sixteen imported cigarettes from $\frac{1}{8}$ of a cent to 5 cents. As American cigarettes come twenty to the pack, they were subject to an excise tax of 10 cents a pack. This, together with the high import duty, made it impossible to sell tax-paid American cigarettes at much less than 60 cents. The result was an extensive contraband trade in American cigarettes, and the tax collected on foreign cigarettes in 1933-1934 was about one-eighth of what it was five years ago. A practically prohibitive tax which was placed on automatic lighters in 1932 has been generally evaded. In 1933-1934 it yielded only \$28, apparently representing the taxation of four lighters. A six-fold increase in the tax on playing cards was followed by a decrease in the yield. *Ley de Emergencia Económica*, January 29, 1931.

⁷ The Emergency Tax Law of 1931 provided for a progressive tax on salaries and other payments for services, including salaries of all government officials, ranging from $\frac{3}{4}$ of 1 per cent on salaries from \$1,200 to \$2,400 a year, up to 5 per cent on salaries above \$15,000. Because of the provision that no tax is to be collected until government salaries are again restored to the figure prevailing before January 1, 1930, no taxes on said salaries have as yet been collected.

three million dollars annually for the next six years. The Emergency Tax Law of 1931 imposed an additional 2 per cent to go into the revenues of the general budget. At the same time a tax of 5 per cent was imposed on the interest received from foreign securities, and 4 per cent on interest and dividends from corporation securities and on interest from all other loans except those made by banks or bankers.⁸

Consumption Taxes

In 1932 heavy excise taxes were levied on several products of general use, notably gasoline and gasoline substitutes, coffee,⁹ rice, and oils and fats, and since then similar taxes have been placed on several other articles, mostly of minor importance. In the two full fiscal years—1932-1933 and 1933-1934—in which these taxes have been in force, they have been large revenue yielders, surpassing even the sales tax and standing second only to customs duties.

There are two outstanding features of these consumption taxes: they fall principally on articles of general consumption, and their immediate incidence has been largely on the working people; they have in several cases applied only to imported commodities, and so in fact have been in the nature of import duties.

Gasoline or gasoline substitutes of Cuban origin are exempt from the tax of 2 cents a gallon. The consumption tax of one cent a pound on rice by Decree No. 3017 of December 5, 1933 (*Gaceta Oficial*, December 11), is now applicable only to imported rice, so this tax also has operated as a protective customs duty. All oils and fats, whether domestically produced or imported, pay a tax of 1 cent a pound. As rice, coffee, and oils and fats play an important rôle in the diet of the great majority of Cubans, these taxes have borne heavily on those least able to bear an increased burden of taxation. Five per cent of the coffee tax is allocated "exclusively for the maintenance of the Agricultural Schools and the manufacture of serums and vaccines for live stock," and 25 per cent of the consumption tax on rice is to

⁸ This law has been interpreted in the case of real estate loans to mean that the tax must be paid, not on the basis of the interest actually received by the creditor, but on the basis of the interest he is supposed to receive. That is, the creditor must continue to pay the tax even though the loan is in default, unless he is to forfeit his rights under the mortgage. For example, on a loan of \$100,000 paying 8 per cent interest, the creditor would pay 4 per cent of \$8,000, or \$320. When the debtor defaults on his loan, the creditor must continue to pay the tax of \$320.

⁹ The trade agreement of August 1934 provides for a reduction in the excise tax on coffee in the event that Cuban production proves inadequate for domestic needs.

be used in "developing the cultivation of rice, in the improvement thereof, and in aiding Cuban farmers."

There is general complaint in Cuba about the administration of the consumption taxes, and it is charged that there is widespread evasion of their payment. In April 1934¹⁰ the consumption tax on a number of articles was modified or removed. Similar changes in the law were made in August, the coffee consumption tax being repealed by Decree-Law 392 of August 7, and the soap tax being modified by Decree-Law 443 of August 25.

Property Transfer Tax

Under this heading fall: (1) taxes on the sale of real property and mortgages; (2) a number of miscellaneous taxes on property transfer, each relatively insignificant but in the aggregate yielding several hundred thousand dollars; and (3) inheritance taxes. In prosperous times these taxes yielded over two million dollars a year, but in the last two years they have yielded but slightly over a million dollars annually, despite an increase in rates.

With the exception of the inheritance tax there has been little change in these taxes since Cuba was a Spanish possession. The inheritance tax, however, which formerly had not applied to bequests to direct descendants, and was very moderate even on other bequests, was greatly changed in the Emergency Law of 1931. Bequests to direct heirs are taxed, although at a much lower rate than other bequests, with a maximum of 5 per cent. Other bequests to more distant relatives, and for other purposes, are taxed at much higher rates, reaching a maximum of 40 per cent in the case of certain bequests over \$5,000,000. That the Catholic Church is not an important factor in Cuban politics is shown by the fact that the highest rates on bequests of less than \$50,000 are on those "for the repose of the soul," and that bequests for this purpose, no matter how small, are subject to a minimum tax of 25 per cent.

The practice of allocating revenues to particular use is found in most of the inheritance taxes, where a special tax of 10 per cent (in a few cases 5 per cent), is applied to the bequest remaining after the regular tax has been collected, and is allotted "in equal parts to the retirement funds of workmen, school teachers, employees of the Department of Communications and civil employees."

¹⁰ Decree-Laws No. 155 and No. 156, *Gaceta Oficial*, April 24, 1934; Decree-Law No. 185, *ibid.*, April 30, 1934.

The foreigner is struck with the great complications in the tax on sales of real estate and mortgages, and the number of taxes and fees to the government, notaries and *registros de la propiedad* which must be paid in order to legalize the transfer.¹¹

Transport Tax

Previous to 1925 the license fees on vehicles were part of the municipal revenues and were not uniform throughout the country. The Public Works Law of that year nationalized the transport tax, established uniform rates, turned over to each municipality an amount equal to one half of the transport tax collected in the preceding five years, and allocated the remainder to the Public Works Fund. The tax is still collected by the municipal tax offices and not by the *Zona Fiscal* (the internal revenue collection office), but technically it is a national tax and the municipal offices act only in the capacity of agents of the national government.

In this tax, as in the gasoline tax with which it is so closely associated, there is a very evident intention to apply the benefit principle of taxation: those who use the highways constructed out of public works revenues should pay a considerable part of the cost of such construction. This would seem to be a case where the benefit principle could be legitimately applied, but there is serious question, in view of the nature of the highways which have been constructed, whether the gasoline and transport taxes are not working in very inequitable ways. For example, the only highway whose "benefits" owners of automobiles enjoy is the *carretera central* (Central Highway) running the length of the island. But the gasoline tax and the high license fees must be paid by automobiles and trucks which never touch on the *carretera*. An extreme example is found on the Isle of Pines where automobiles pay the same license fees and gas taxes as on the mainland, ostensibly for the purpose of paying for the "benefits" they derive from a public works program—although most of the roads on this island are in bad condition, and little has been spent there in repair or maintenance since the passage of the Public Works Law. The same situation undoubtedly exists in many other parts of Cuba. The natural tendency is to use older cars in sections where there are only poor roads, but these must pay the same high license fees as cars operating almost entirely on the *carretera*. For example, Fords and Chevrolets

¹¹ Two concrete illustrations of such complications and expense of property transfer are given in the *Seligman Report*, cited, pp. 240-242.

pay a license fee of \$50 a year. In the second place, the license fees on buses and trucks are low relative to the tax on private vehicles. The tax on a bus with a seating capacity up to 24 (in fact the number of persons carried on such buses is frequently much greater than 24) is \$60 a year, the same as a tax on a Buick car—and the tax on a bus with over 24 seats is \$90, the same as the tax on a Cadillac or Packard. Similarly, the tax on trucks with a capacity of $2\frac{1}{2}$ tons or less is but slightly greater than the tax on the larger passenger cars. A large part of the traffic on the *carretera* consists of these buses and trucks, which are paying nowhere near their proportionate share of the costs of the highway.

Land Tax and Excess Territorial Tax

Before 1925 there was no taxation of land by the national government. The Public Works Law of that year provided for national land taxes whose proceeds were allocated entirely to the Public Works Fund.¹² This law levies a tax of 2 per cent on the assessed rental value of all urban and rural real estate already subject to municipal taxation, with the proviso that this 2 per cent tax will not be collected on property on which the municipal tax rate is more than 10 per cent. As no rural land pays over 10 per cent on the assessed rental, all rural land taxed by municipalities also pays the national public works tax. But as some 50 out of the 125 municipalities of Cuba, including all of the larger ones except Marianao and Camagüey, have rates of over 10 per cent, the result is that a large proportion of urban real estate escapes the national tax.

Even granting the desirability of exempting urban real estate from a national tax because of the local conditions of municipal taxation, the exemption provisions are in fact not based on the burden of the municipal tax. The assessment for tax purposes is entirely a local matter, and the relation between assessment and fair rental value varies as between municipalities. For example, real estate in a municipality which assessed real estate at 40 per cent of its market rental, and had a tax rate of 10 $\frac{1}{10}$ per cent, would be exempt from the national tax, whereas real estate in a neighboring municipality which was assessed at 90 per cent of its rental value, and taxed at 9 per cent, would be subject to national taxation, although in the second case the rate on

¹² As all of the land taxes thus collected by the national government with the exception of a small tax on unimproved urban land, which is not subject to municipal taxation—are surcharges on municipal taxes, the reader is referred to a discussion of the municipal land tax on pp. 366-367.

the basis of market value was 8.1 per cent and in the first place 4.04 per cent. This suggests the urgent need, if there is to be a national taxation of real estate, of a thorough overhauling of the relation between the national land tax and municipal assessments.

In addition, the Public Works Law provides for the payment into the Public Works Fund by the municipalities of 50 per cent of the amount by which the municipal real estate tax exceeds the tax collected in the fiscal year 1925-1926. Although of minor fiscal significance, this is of special interest as one of a series of transfers between the different units of government.

Other taxes imposed by the national government include the sugar tax, the documentary stamp tax, and a number of taxes of minor fiscal importance.¹³

3. *The Lottery*

The national lottery has been reserved for separate discussion because of the important problems of a non-fiscal nature which it presents. Until the fiscal year 1931-1932 it was a large source of revenue, and in several years was exceeded only by the customs duties, the sales tax, and excise (loan) taxes in fiscal importance. The decline in yield after 1931 was due in part to the unfavorable turn in the economic situation, but to an even greater extent appears to have been the result of political factors.

It is impossible properly to evaluate the significance of the Cuban national lottery, or to formulate any practicable solution of the problem it presents, without recognizing that it involves at the same time a fiscal, a political and a social problem. A government lottery had been in operation in Cuba for nearly a century before the separation of the country from Spain. The lottery was abolished in the first American intervention (1898-1902), but was restored by Cuba in 1909 and has been in operation continuously since that time. Almost since its beginning the lottery has been a powerful political agency. By the law of 1909, as amended in 1912, the National Lottery Administration, although forming part of the Secretariat of Finance, was to be a virtually independent office. In practice it became the private political preserve of the President, holding somewhat the same position in Cuban political life that the Post Office did in American politics in an earlier age. Tickets were sold to the public through *colecturías*—sales

¹³ *Seligman Report*, cited. There have been few changes in the minor Cuban taxes since the preparation of that report.

offices—which acted as jobbers and resold the tickets at a considerable advance in price to street vendors who retailed them to the public. Gradually the *colecturías* became sinecures, in many cases not even handling the tickets but simply pocketing a profit on tickets which were in fact turned over directly to smaller dealers. Under these conditions the President's control over the *colecturías* gave him a private source of income, to be used either personally or in holding the support of political friends. For the past twenty years almost every member of the Cuban Congress has in practice controlled the assignment of three or more *colecturías*.¹⁴ In the latter days of Machado's administration the lottery was regarded by many Cubans as a symbol of Machado's power, and when other methods of opposition were barred, the refusal of the public to buy lottery tickets became a very effective way of sabotaging Machado and his supporters.

One of the first acts of the Céspedes government was to suppress the *colecturías* and provide for the distribution of tickets to the public through the tax offices; ^{14a} a subsequent decree of the Grau government made further modifications in the method of sale and distribution of the proceeds of the tickets; ¹⁵ and important changes were effected in the personnel of the administration.

Of the total proceeds of the tickets, 70 per cent is returned to the public in premiums, 10 per cent goes to the vendors of lottery tickets, 10 per cent to cover the costs of administration, and 10 per cent to the National Treasury.¹⁶

Looked at purely as a fiscal measure, the lottery has one great disadvantage and one great advantage. The costs of collection are extremely high; for every dollar which the Cuban government collects from the lottery, it spends 66 $\frac{2}{3}$ cents for collection and administration costs, and receives as net revenue only 33 $\frac{1}{3}$ cents. On most of its other taxes the government receives a net return of 90 cents or more on every dollar collected from the public. On the other hand, the tax is painless; the public, instead of trying to evade payments for the support of the government, in this case voluntarily make the payments from which the government collects its revenue, and many of

¹⁴ By a private and unofficial arrangement. The law provided that any one *colector* could not hold more than one *colecturía*. Cf. *Seligman Report*, cited, p. 118.

^{14a} Decree No. 1307, *Gaceta Oficial*, August 25, 1933.

¹⁵ Decree No. 1643, *Gaceta Oficial, Edición Extraordinaria*, No. 33, September 18, 1933.

¹⁶ For three years a portion of the government's profits from the lottery was allocated to the "Special Fund for Veterans"; one year a part was allocated to public works, and another year a part to the Tourist Commission. The last such allocation was in the fiscal year 1925-1926, and since then all profits have formed part of the general revenue.

them would be indignant if they were deprived of the opportunity to make such payments.

The lottery also raises the question of the government's relation to public habits. Although the visitor from countries where lotteries are officially frowned on as anti-social may criticize the government for encouraging the poor to gamble away their money, he will not find that the Cubans consider themselves objects of pity on this score. Rather is the lottery looked on as the poor man's friend—his opportunity to get ahead in life and enjoy the comforts of the rich. Public criticism of the lottery in Cuba is based largely on the ground that it has been an instrument of political corruption, not on that of opposition to governmental operation of a gambling institution.

The Cuban government did not create the attitude of mind which exists in the country, and cannot change it overnight by legislative act. Yet one may recognize the existing situation and still feel that the Cuban government could greatly improve its public policy with respect to the use which the mass of the population make of their savings. The foreigner is impressed by the relatively small rôle that institutions for saving play in the economic life of Cuba, and with the almost complete absence of any interest on the part of government in the fostering of savings. The practice of having weekly drawings, and of having lottery tickets on sale at every street corner and hawked by itinerant vendors, makes Cuba one of the most "lottery conscious" nations in the world. The present lottery administration has eliminated many of the abuses of Machado's time. It has shown enterprise and initiative in experimenting with new methods, in selling lower-priced tickets so as to encourage more purchases of tickets by poorer people, and in restoring public confidence in the lottery, with the idea of again making it the revenue-raiser that it was a few years ago. But looked at from the point of view of a larger national interest, this "cleansing" of the lottery, this enterprise and efficiency may become a national misfortune if it means that a larger part of the savings of the masses go into lottery tickets and that saving programs of a more conservative nature are neglected.

Despite the temporary purification of the lottery, there is no doubt that many politicians are looking forward to restoration of the lottery to its former status as a center of political patronage. The present administration of the lottery, fearing such a development, is supporting a plan to separate the lottery completely from the national government and the national budget by putting its administration in the

hands of an autonomous board of impeccable character, and having all the proceeds go to charitable organizations and hospitals.

Whether such a procedure would take the lottery out of politics is difficult to say. Here, as in so many other aspects of Cuban public finance, the question of personalities and administration is of more importance than any particular provisions of law. Such a "non-political" lottery would undoubtedly have been used by Machado to serve his own ends, and any dictator of the future would probably lay hands on a "non-political" lottery.

A more fundamental criticism is that such a program is contrary to sound tenets of government finance and would aggravate an already bad situation. Cuba today has a great number of special funds, outside of the regular budget, to which the income from particular taxes are allocated. There is no principle of taxation which can support the idea that the number of beds in a maternity hospital should be determined by the public's expenditure on lottery tickets. Such a procedure breaks up the unified control of the budget, an essential of sound government finance. Another disadvantage of such a "non-political" lottery—even assuming that it works with complete success—is that it establishes a vested interest, probably backed by the most public-spirited people in Cuba, in favor of increasing the scope of lottery operations, and may establish a bias against the growth of saving institutions on the part of the very people who would otherwise support such a movement.

If the lottery is to be retained as a governmental institution, it would be much preferable to abolish its present semi-autonomous status, bring it directly under the control of the Secretary of Finance, include its expenditures in the regular budget, and subject its accounts to inspection by the auditing department.

Another alternative is the abolition of the national lottery, or its replacement by legalized private lotteries, with a percentage tax on the total sales of lottery tickets. This latter course offers several advantages which we believe should warrant its very careful consideration by those public-spirited Cubans who are concerned about the problems of the lottery as it has operated in recent years, and yet feel that the mere abolition of the lottery is not a solution. Such a plan would probably permit the collection of considerable sums from private lotteries which are now illicitly operated and contribute nothing to the state. It would permit the organization of private lotteries for the benefit of hospitals and charitable institutions, while making less likely the abuses

suggested in connection with the conversion of the present lottery into an autonomous lottery whose proceeds would be turned over to charities and social work. Whatever policy is adopted, the government should develop a program for the encouragement of saving. The worker should at least have the opportunity to put his savings into a conservative and well-managed institution, with convenient facilities, instead of, as at present, having the whole machinery of government back of a "get-rich-quick" proposition. There is little hope for the economic welfare of the masses of Cuba as long as there is so complete a lack of the spirit of saving.^{16a}

4. *Main Characteristics of the Municipal Tax System*

The principal sources of municipal revenues are the real estate tax and the business tax, although a considerable sum is collected in the aggregate from miscellaneous taxes. The real estate tax furnishes approximately one-half of the total revenues. As it is the only local tax of importance which impinges directly on the national tax system, the discussion of municipal taxation will be limited to the real estate tax.

The tax on urban real estate applies only to real estate on which there are buildings, in which case it is levied on 75 per cent of the gross rental value of both land and buildings; contract rental in case the property is rented, calculated rental in case the property is not rented. The maximum rate of taxation is fixed at 12 per cent by national law, but within that maximum the municipalities fix the rate and assess the property for tax purposes.

The tax on rural real estate is also a tax on the rental value of the property. The method of assessment varies according to the purpose for which the land is used. There are three principal categories: sugar land; tobacco, coffee, cacao, pineapple, and forest land; and other land.

In the case of sugar land, the tax is in most cases levied on the basis of the market value of the sugar produced. In so far as assessments are actually changed from year to year—a matter in which some of the municipalities are apparently very lax—the tax on sugar land is really a sliding scale tax on sugar production.

^{16a} Miss Hall makes the following reservation: "I am opposed to any form of lottery, whether governmental or private, not only because I feel that both types become sources of corruption and demoralization, but because nothing so saps the urge for work and normal planning and makes for an acceptance of widespread and continuous poverty as the slim hope of getting rich quickly without effort. Sporadic cases of good luck are held up as a sop to the vast majority who go through life without knowing what good living is."

The tax on the second category of land is based on cash rentals where the land is so rented. When it is not so rented, it is based on the estimated value of the product, on the basis of the previous five years (two years in the case of forest land). Here, as in the case of sugar land, there is apparently great laxness on the part of tax officials, and the basis of assessment frequently is not changed in accordance with the requirements of law. Other taxable rural land is assessed on the basis of the cash rental, where such exists and, where there is no cash rental, on the basis of the cash rental of similar land.

Several features are common to the real estate tax—both urban and rural—as it now exists. No allowance is made for mortgages or other encumbrances on the property; no tax is levied on unused land (urban land on which there are no buildings, rural lands not cultivated or used for grazing); there is looseness in the methods of assessment which, despite ostensibly uniform standards, vary greatly from municipality to municipality. In the case of rural land the tax is levied on the basis of the actual use of the land rather than its value in the use for which it is best suited. Land not used for agricultural purposes is tax exempt. As far as the law goes, fertile land turned into the estate of a country gentleman might be fully tax exempt. Large landowners could also keep vast areas out of cultivation and thus escape taxes. The law on its face favors large estates and the keeping of land out of cultivation, but to what extent the law may have been tempered in its administration we have no means of knowing.

Relations of National, Provincial and Municipal Finance

There is an extensive cross-flow of funds between the three governmental units. The municipalities make a number of payments to the national government, of which the most important is a transfer of 10 per cent of the total municipal receipts to be used by the national government for the maintenance of the sanitation service.¹⁷

In addition, the municipalities act as collecting agents of the national government for the transport tax, the 2 per cent tax on real estate rentals, and the imputed rental value of unimproved urban land. All these taxes go into the Public Works Fund. The only transfer of

¹⁷ Other payments to the national government are:

Two per cent of total municipal receipts to various special funds for pensions.

A varying percentage of total receipts (estimated in the *Seligman Report*, cited, at from $\frac{1}{8}$ to $\frac{1}{2}$ of 1 per cent) to general budget for Civil Service Commission.

Three per cent of total municipal receipts to general budget for scholarships.

Fifty per cent of excess of the real estate tax over the yield in 1923-1926 to the Public Works Fund.

funds from the national government to the municipal government is the annual payment of \$417,000 from the transport tax. This is only a bookkeeping transfer, as the tax is collected in the first instance by the municipalities.

The provincial governments have no independent source of revenue. Their receipts come entirely from surcharges on municipal taxes, although their political relations with the national government are much closer than with the municipalities. The provinces make no payments to the municipalities, other than a 4 per cent commission for the services of collecting the provincial revenues. The provincial governments also make several small payments to the national government.¹⁸

Most of these transfers of funds are the result of historical accident, and have little if any justification in sound financial procedure, yet they seem to be regarded today as a permanent feature of Cuban public finance. They complicate government accounting, and increase the opportunities for misuse of funds.

These extensive inter-government transfers in Cuba suggest the necessity for a careful study of the functions of the various units of government, and of the sources of taxation to be tapped by each.

5. *Expenditures and Their Control*

The Distribution of Expenditures

As contrasted with the other republics of Latin America, the public expenditures of Cuba have been large. On a per capita basis, the annual expenditures of the national government were in the neighborhood of \$25 in the period from 1921 to 1930. This was considerably greater than the expenditures of the national government in such countries as Colombia, Peru, Costa Rica and Salvador, and suggests a liberal spending policy—probably more liberal than the economic condition of the country warranted.¹⁹

¹⁸ Two per cent of total receipts to pension funds.

A varying percentage of total receipts (estimated in *Seligman Report*, cited, at from $\frac{1}{8}$ to $\frac{1}{2}$ of 1 per cent) for the Civil Service Commission.

Three per cent of total receipts for scholarships.

¹⁹ Any conclusions of this nature should be regarded as suggestive rather than final, both because of complications introduced by provincial and local finance, and because population distribution and other factors affecting expenditures differ widely from country to country. The extent of productive social services rendered by governments, moreover, may vary in almost any degree. A small per capita expenditure, dishonestly and unwisely made, may represent a very bad situation, whereas honest expenditures of many times that amount, if properly made, may represent wise public policy. Only by a careful and detailed study could one give a reasoned judgment as to whether Cuba has been spending too much money.

In view of the fact that no liquidation of the budget has been made since 1929-1930, it is impossible to tell just how much has been spent for different purposes. The table on pages 370-371 shows the regular budget appropriations for the past six fiscal years, by absolute amount, and by percentage of the total.

The differences between authorized and actual expenditures and the transfer of appropriations from one item to another by administrative action will change the figures when these budgets are finally liquidated, but probably will not greatly affect the general picture.²⁰

Several general conclusions can, however, be drawn. First is the relatively small percentage of expenditure, until 1929-1930, for service on the public debt. Until the fiscal year 1929-1930 the percentage of total expenditures for debt service was smaller than in most of the South American and European countries. It was only from 1930 to 1933, due to a combination of a drastic decline in revenues and large maturities to be met on short-term indebtedness, that service on the Cuban public debt was a large proportion of total expenditures.

The second feature of Cuban expenditures is the very great outlay on the army and navy before 1930, and the maintenance of almost the same absolute expenditures, with a consequent increase in the percentage of expenditure, for this purpose in the last four years. At the present time expenditures on the army and navy are relatively greater than in the days of Machado.

The third significant point is the decline in the last five years, both absolutely and relatively, in the expenditures on education and sanitation. These services were the stepchildren of the Machado administration. Since the fall of Machado the government has given more attention to these services, but they still receive far less attention than the military.

A fourth feature is the very expensive public works program carried on between 1925 and 1931, out of the special public works revenues and foreign borrowing. Cuba, a poor country, embarked on a program of public works, involving construction which would have been a luxury in the wealthiest country. The new Capitol in Havana cost, with its furnishings, about \$22,000,000, equivalent on a per capita basis to an expenditure of about \$750,000,000 on a Capitol in Wash-

²⁰ These figures do not include the expenditures out of the Public Works Fund. It is impossible to state with accuracy the distribution of the expenditures from this fund, but as they went almost entirely for Public Works and (particularly after 1929-1930) for service on the Public Debt, the effect of their inclusion would be to increase the absolute amount and relative importance of expenditures on these two items.

REGULAR BUDGET APPROPRIATIONS, 1929-30 TO 1934-35

	1929-30	% of Total	1930-31	% of Total	1931-32	% of Total	1932-33	% of Total
Public Debt	\$10,235,725.00	12.00	\$ 9,878,850.00	12.87	\$ 7,967,285.00	13.19	\$ 7,320,425.00	14.24
Legislature	3,019,130.00	3.53	2,659,617.00	3.47	2,763,033.52	4.58	2,465,127.24	4.79
Council of State .. . . .	.. . . .	.. . . .	.. . . .	.. . . .	.. . . .	.. . . .	.. . . .	.. . . .
Judiciary	4,450,414.94	5.21	3,989,259.05	5.20	3,454,846.45	5.72	2,591,133.33	5.03
Presidency	487,720.00	.57	439,938.00	.57	280,225.00	.46	210,151.50	.41
Dept. of State	1,850,722.76	2.17	1,535,722.68	2.00	1,113,445.36	1.84	831,412.92	1.63
Dept. of Interior	4,733,045.00	5.54	4,747,205.67	6.19	2,966,765.00	4.92	2,642,564.83	5.13
Dept. of Justice	394,620.00	.46	339,036.00	.44	239,886.00	.40	179,914.50	.35
Dept. of Finance	4,757,515.50	5.58	4,866,400.34	6.34	3,005,597.00	4.98	2,266,085.76	4.40
Dept. of Agriculture, Commerce and Labor	1,190,038.62	1.39	1,128,747.79	1.47	770,000.00	1.28	577,500.00	1.12
Dept. of Public Works	4,227,777.80	4.96	3,702,791.27	4.82	2,275,287.09	3.77	1,805,743.82	3.51
Dept. of Education	15,737,281.44	18.43	14,108,756.92	18.38	9,566,015.08	15.84	7,239,893.54	14.06
Dept. of Sanitation	5,649,947.70	6.61	5,539,104.93	7.22	3,771,129.67	6.24	2,834,534.64	5.51
Dept. of National Defense	12,734,324.06	14.92	12,031,390.53	15.68	10,121,907.26	16.76	9,797,844.41	19.03
Dept. of Communications	5,355,680.00	6.27	5,319,780.05	6.93	3,246,732.00	5.38	2,519,673.50	4.89
Pensions (Veterans)	7,336,360.75	8.59	5,318,934.55	6.93	4,604,999.00	7.63	3,579,078.57	6.95
Pensions (Special) .. . . .	.. . . .	.. . . .	185,697.04	.24	145,885.46	.24	105,819.48	.20
Port Works	1,187,385.00	1.39	962,385.00	1.25	237,385.00	.39	650,000.00	1.26
Public Works Fund	25,000.00	.03	1,000.00	.. . . .	800.00	.. . . .	650.00	.. . . .
National University .. . . .	.. . . .	.. . . .	.. . . .	.. . . .	.. . . .	.. . . .	.. . . .	.. . . .
Special Appropriations	2,019,462.95	2.35	.. . . .	.. . . .	3,850,269.89	6.38	3,857,660.69	7.49
Totals	\$85,392,151.52	100.00	\$76,754,616.82	100.00	\$60,381,493.78	100.00	\$51,475,213.73	100.00

REGULAR BUDGET APPROPRIATIONS, 1929-30 TO 1934-35—Continued

	1933-34 ¹	% of Total	1933-34 ²	% of Total	1934-35 ³	% of Total
Public Debt	\$ 7,199,140.00	17.18	\$ 7,199,140.00	14.45	\$ 3,145,948.00	5.68
Legislature	2,333,514.37	5.57	626,148.39	1.26	.....	..
Council of State .....	.....	..	.....	...	146,300.00	.26
Judiciary	2,520,374.56	6.01	2,681,068.86	5.38	2,898,509.58	5.23
Presidency	161,918.50	.39	191,431.00	.39	255,180.00	.46
Dept. of State ..	629,799.08	1.50	768,602.61	1.54	1,048,448.00	1.89
Dept. of Interior ..	2,089,620.32	4.99	3,456,736.82	6.94	2,844,950.00	5.14
Dept. of Justice ..	137,860.09	.33	183,548.19	.37	392,755.21	.71
Dept. of Finance ..	1,578,830.87	3.76	1,759,408.57	3.53	2,919,083.25	5.27
Dept. of Agriculture, Commerce and Labor...	763,768.58	1.82	981,851.25	1.99	1,565,347.28 ⁴	2.83
Dept. of Public Works	1,396,852.01	3.33	3,298,319.68	6.62	2,195,606.76	3.96
Dept. of Education ..	5,932,236.02	14.14	7,526,712.46	15.11	10,105,631.34	18.25
Dept. of Sanitation	2,999,350.41	5.01	2,417,187.99	4.85	3,527,590.48	6.37
Dept. of National Defense	7,895,138.80	18.84	11,055,073.80	22.20	12,201,182.42	22.03
Dept. of Communications	1,749,683.45	4.18	2,224,185.33	4.46	3,485,738.00	6.29
Pensions (Veterans)	2,251,382.03	5.37	2,251,382.03	4.52	3,239,453.04	5.85
Pensions (Special)	74,236.60	.18	74,236.60	.15	67,818.64	.12
Port Works	650,000.00	1.55	650,000.00	1.31	600,000.00	1.08
Public Works Fund	360,452.00	.86	360,452.00	.73	300.00	..
National University .....	.....	..	.....	..	1,236,586.02	2.23
Special Appropriations	2,091,434.70	4.99	2,091,434.70	4.20	3,518,276.46	6.35
Totals	\$41,915,592.39	100.00	\$49,796,910.28	100.00	\$55,394,704.48	100.00

¹ Original budget.

² As increased by additional appropriations authorized up to May 31, 1934.

³ In 1934-35 \$7,000,000 of Special Public Works Revenues were included in Regular Budget Revenues, thus permitting a corresponding increase in Regular Budget Appropriations.

⁴ In 1934 a separate Department of Labor was established; \$378,560 of this appropriation is for that Department.

ington. It is doubtful whether any public building in the United States is constructed on such a luxurious scale. The *carretera central*, running the length of the island, and paralleling the railroad much of the way, was de luxe in construction. It cost over \$100,000,000, which on a per capita basis would be equivalent to an expenditure of about \$3,500,000,000 in the United States.

The Preparation of the Budget

The "Law of the Executive Power" drawn up in 1909 during the second American intervention, laid down the procedure to be followed in the preparation of the budget. All estimates of expenditures were to be submitted by the various secretaries to the Secretary of Finance who, on behalf of the President, should draw up a budget of revenues and expenditures to be presented to Congress. All expenditures were supposed to be made in accordance with the appropriations authorized by Congress. Expenditures could be made only against available balances in an authorized appropriation, and appropriations could be transferred from one item to another only by Presidential authorization and then only within narrowly delimited fields.

Although there are many details of this budgetary procedure that experts in governmental administration can criticize, particularly in the light of recent budgetary reforms in other countries, the budget law was fundamentally good. The budgetary difficulties and abuses of recent years have not been due to defects in the law nearly so much as to its administration, in particular the liberties taken by Presidents in the transfer of appropriations. Expenses have frequently been made for purposes very different from those indicated in the budget appropriations. Cuban Presidents, in particular Machado, have freely transferred appropriations from one item to another, or have used appropriations for other purposes without even going through the formality of transferring the appropriation.

There is, however, one particularly bad feature of budgetary procedure which undoubtedly contributed to the chaotic conditions—that is, the creation of special funds, literally separate budgets created from allocated revenues which do not form part of the general revenue of the government. A number of these allocated revenues have been discussed in their tax aspects in an earlier section. In some cases there is a vague idea of a benefit theory of taxation in back of this allocation—that particular taxes should be spent for the benefit of those who paid

the taxes. In most cases, however, the allocation results merely from the desire of particular taxpayers, or government officials, to insure the continuance of services in which they are interested, independent of the vagaries of politics. If allowed to go far, as is likely to be the case with pressure from this or that group, this procedure upsets the whole concept of taxation as a payment for the support of government and disrupts the centralized executive control of finances. On the one hand particular services may continue as a result to get large revenues in periods of depression, while other more essential services are starved. On the other hand, by establishing the idea that a certain service has a claim only on the allocated revenues, and not on the general revenues, this policy may seriously cripple the service when the allocated revenues decline. In recent years some of the American states have had a most unfortunate experience with allocated revenues, which have disrupted the executive control of the budget and have made the adjustment of the financial program to changing needs most difficult. In Cuba this allocation has taken many forms—running all the way from turning one-fifth of the national revenue into the Public Works Fund to the minor ridiculousness of assigning 10 per cent of an increase in the cigarette tax to the purchase of serums and vaccines for cattle.

The Control of Receipts and Expenditures

Sound government administration requires an effective control over receipts and expenditures. The present accounting system of the Cuban government is in its essentials a single entry system, and has not been materially changed for over thirty years. This fact has contributed to a chaotic financial condition. It is almost impossible to say what the financial condition of the government is at any time—what its obligations are, and what unexpended balances remain in the different budget entries or in the special funds. The situation now is such that even the able and conscientious administrator is caught in the toils of a system beyond his control. The practice of keeping budget items open for years after the close of the accounting period, instead of definitely closing the accounts at some date—say three months—after the close of the fiscal year, as is now done in most countries, has contributed to this laxness.

An even more fundamental problem is the auditing of accounts. There is in Cuba a bureau of the Secretariat of Finance known as the *Intervención General*. Its supposed function is to audit the government's accounts. At one time it exercised some effective authority, but

for the twenty years preceding the downfall of Machado, due partly to weaknesses in the law and partly to the policy pursued by Cuban Presidents, it became a moribund institution. The *Interventor* is a subordinate of the Secretary of Finance, thus presenting the anomalous situation of an auditor under the control of the official whose accounts he audits. Almost his sole function in recent years has been to warehouse the documents representing transactions completed months, if not years, before.

Modern governmental auditing of the most effective type is based on two principles: the auditor's independence of any Ministry and the right of prior audit—that is, the right to pass on the legality of payments before they are made, and not merely to perform a *post mortem* after the expenditure has been made. Neither of these principles has been incorporated into the auditing of the Cuban government.

6. *A Program of Financial Reform*

Tax reform in Cuba should start from the premise that no tax system is any better than its administration. The most urgent need in Cuba as regards taxation, budgetary procedure, and the control of expenditures is simplification, consolidation and the development of administration. Specifically, we suggest the following changes in the Cuban fiscal system. The reasons for most of these changes have already been suggested in the preceding part of this chapter.

1. Stop the allocation of taxes for special purposes, and have all taxes appear in the general budget and form part of the general revenues.²¹

2. As a necessary corollary of recommendation 1, abolish the Public Works Fund and other special funds and consolidate them (except for the Retirement Funds) with the general budget.²²

3. Set as an objective the consolidation of all taxes now paid at the customs house and the 5 per cent consular invoice fee into a single category—customs duties.

4. Reduce taxes, like those on playing cards, imported cigarettes, and automatic lighters, which are so high as to encourage contraband trade. A more detailed study of Cuban taxation would probably reveal other commodities presenting a similar problem.

²¹ This would not conflict with the pledge of particular revenues to the external debt.

²² In so far as the carrying out of 1 and 2 might be contrary to the public works loan contracts, a satisfactory arrangement might be reached with the bondholders and the issuing bankers in connection with a provision for the resumption of service on those loans.

5. In the case of internal consumption taxes (particularly on rice), either lower the rate of taxation in conjunction with an overhauling of present collection methods, or abolish these taxes altogether when fiscal considerations will permit. The Cuban consumption tax system is objectionable both from the point of view of their incidence and their present administration.

6. Adjust the transport and gasoline taxes so as to throw a smaller proportion of the burden on those who are unable to use the Central Highway, and to reduce the subsidy now given to trucks and buses. The introduction of a surtax on vehicles using the Central Highway should be carefully considered.^{22a}

7. Through a gradual development of the profits, interest, salary and inheritance taxes, and adjustments in the customs and consumption taxes which now bear heavily on staple foods, the tax burden in Cuba should be adjusted more on the basis of ability to pay. Our study of these taxes was not sufficiently detailed to permit specific recommendations, but we believe, both as regards rates and administration, that the operation of these taxes can be greatly improved. If not inconsistent with the Speyer loan contract of 1904, the profits tax should be extended to those concerns producing articles subject to the "loan" taxes. We do not favor the introduction of a general income tax, which administratively is not suited to Cuban conditions.

8. Place a progressive export tax on sugar.²³

9. Change the national lottery from its present status as a semi-autonomous organization, and make it an integral part of the Secretariat of Finance, or abolish it altogether and tax legalized private lotteries.

10. Re-define the fields of municipal and national taxation, for the purpose of reducing the present cross-flow of funds. In particular we suggest the following: (a) eliminate the present surcharge on municipal revenues turned over to the national government for sanitary services, and consider sanitation a national service to be financed out of national revenues; (b) have the transport tax collected by national agencies, and stop the transfer of part of the tax to the municipalities; (c) eliminate the present surcharge on the municipal land taxes for the benefit of the national government; (d) have the provincial revenues come from the national government, instead of the municipalities.

^{22a} Cf. p. 439.

²³ This tax is discussed in more detail on pp. 307-308.

11. Establish a land tax, based on a national assessment, from which both the municipalities and the national government would secure revenue. The present assessment of land is not uniform, a large amount of rural land escapes all taxation, there is an encouragement to the maintenance of large holdings withdrawn from cultivation, and the total taxes paid by rural land is very small.

Except for the provisional measure mentioned later, the national land tax should not be regarded as an immediate source of new revenue, and even under the most favorable conditions two or three years should be allowed for the reassessment of land and the setting-up of the necessary administrative machinery. A careful and scientific assessment of land should be made prior to the introduction of a national land tax. We recommend that a permanent national tax commission be appointed to have charge of assessments and that the original assessment of rural land be done in cooperation with the soil survey recommended in Chapter XX. We suggest, in line with the recommendations of the *Seligman Report*, that the tax base of the rental value, rather than capital value, be continued, at least for the present. With a progressive export tax on sugar, there would be no need for the present system of taxing sugar land on the basis of the price of sugar.

The municipalities would continue to secure a large share of their revenues from the land tax, but if the sanitation payments to the national government and the surcharges for the provinces are abolished, the total municipal tax collections would become proportionately less important. The national and municipal land tax would be collected simultaneously by national authorities on the basis of the national assessment: the national tax at a uniform rate, the municipal tax at a rate fixed by each municipality within a maximum rate determined by national law. The possibility of exemptions, or a lower rate of taxation, on small land holdings, should be explored in the light of experience in New Zealand and other countries that have introduced a progressive land tax, and provision should be made for an exemption of forest land sufficient to encourage reforestation programs.

This would leave the municipalities with an adequate income, increase greatly the national revenue from the land tax, result in a fairer distribution of the burden of land taxes, and discourage the maintenance of large estates and the withdrawal of land from cultivation.

12. Reorganize the accounting system of the national government.

We suggest the employment of one or more foreign accountants familiar with modern governmental accounting procedure to assist in straightening out the present accounts, and in setting up an up-to-date accounting system.

13. Establish a modern Comptroller General's office—either a completely new bureau, or a reorganized *Intervención General*—which would be independent of all Secretaries, and would exercise a prior audit of all payments and have the right to pass on all transfers of funds between budget items. We suggest that the Cuban government engage one or more foreigners, experienced in the control and auditing of government accounts, to assist in organizing such a system, and helping in its administration during its first years.

CHAPTER XVI

THE PUBLIC DEBT

The public debt of Cuba may be conveniently divided into four main categories: the external funded debt provided for in the regular budget, the internal funded debt, the floating debt, and the public works debt.¹ As of May 31, 1934 this debt totaled approximately \$200,000,000, divided as follows:

Regular External Funded Debt

Speyer 5% loan of 1904	\$ 9,515,500
Speyer 4½% loan of 1909	10,148,000
Morgan 5% loan of 1914	4,556,800
Morgan 5½% loan of 1923	23,417,100
Morgan 5½% loan of 1927	3,600,000
	<hr/>

Internal Funded Debt

Loan of 1905. 5%	7,766,500	\$ 51,237,400
<i>Floating Debt</i> (other than that included in Public Works Debt)		
Claims registered with government (approximate)	23,000,000	
Salaries and pensions in arrears (approximate)	30,000,000	
	<hr/>	
	53,000,000	
TOTAL DOMESTIC DEBT (approximate)		60,000,000

Public Works Debt

Funded

Gold Bonds of 1930. 5½%	40,000,000
Treasury Obligations of 1930. 5½%	20,000,000
	<hr/>
	60,000,000

Unfunded

Bankers' Credit of 1930. 5½%	20,000,000
Serial Certificates of 1928/29. 5½%	867,000
Accrued interest on serial certificates, gold bonds and bank credit	3,068,711
Warren Brothers	1,146,735
Cía. Cubana de Contratistas	499,507
Deferred payment certificates	471,853
Interest on Treasury Obligations to June 30, 1933	1,505,467
	<hr/>
	27,559,273

TOTAL PUBLIC WORKS DEBT	87,559,273
TOTAL PUBLIC DEBT (approximate)	\$200,000,000

¹ In addition, the Cuban government had on May 31, 1934, a contingent liability of \$17,798,660 as guarantor of the Sugar Stabilization, 5½ per cent gold bonds of 1940, popularly known as the Chadbourne bonds, which were issued in 1930. The details of this issue are given on p. 247.

1. *History of the Regular Public Debt*²

External and Internal Funded Debt

Cuba started its career as an independent nation with a public debt of moderate proportions arising from its obligation for the 6 per cent bonds issued abroad by the Revolutionary Government in 1896 and 1897, and the arrears of pay due to the Cuban Army of the War of Liberation. The greater part of these obligations was funded in the Speyer loans of 1904 and 1909 and the internal loan of 1905. The larger part of the Speyer loan of 1909, however, was used for funding new floating debt, and to pay for public works in Havana and Cienfuegos. The Morgan loan of 1914 was used for the retiring of floating debt and the completion of sewers and paving in Havana; the Morgan loan of 1923 was used principally for clearing up floating indebtedness, although a small part was applied to the construction of new public works; the Morgan loan of 1927, which was practically an extension of the loan of 1923, was for the purpose of liquidating floating debt which had not been taken care of in the 1923 financing.

Several important points stand out in connection with this public indebtedness. First, Cuba has never floated any internal bond issues, despite the existence of a large amount of funds which wealthy Cubans have had available for investment.³ There has apparently been little if any effort on the part of the Cuban government to develop a domestic loan market, with the aim of encouraging savings by Cubans and enlisting the interest of financially prominent citizens in efficient and honest government.

Second, all of this foreign financing was done in the United States on terms which were unusually favorable to Cuba, and can be explained partly by the close political relations existing between Cuba and the United States. Both as regards the net interest paid by Cuba and the profit to the issuing houses, Cuba did this borrowing on almost as good terms as European countries of highest credit standing. In fact, Cuba obtained the Morgan loan of 1923 on more favor-

² The public works debt, which represents over 60 per cent of the foreign indebtedness of Cuba, is not included in the regular budget, but has been handled through a special Public Works Fund established in 1925. Furthermore, on account of alleged irregularities in connection with its issue, the Cuban government has suspended all payments on the public works debt. Hence this part of the public debt will be discussed separately and in more detail in the latter part of this chapter.

³ The internal loan of 1905, as well as an internal loan of 1917 which has since been paid off in full, were not sold to the public as a business proposition, but were issued in payment of existing obligations.

able terms than France when it borrowed through the same banking house in 1924.

A third feature of this financing is that most of it went for the funding of past indebtedness, and hence Cuba has little in the form of public improvements to show for the public debt contracted previous to 1927.

Floating Debt

The existing floating debt of Cuba is not the product of a definite financial policy; it is simply the result of the government's inability to satisfy its creditors and pay its employees and pensioners. As has been indicated above, an unfortunate feature of Cuban government finance has been the constant recurrence of floating indebtedness, which has been cleared up not out of government surpluses but by the funding of the debt, placing on later generations of taxpayers the burden of paying for the extravagance or ineptitude of their fathers.

Unpaid bills have been accumulating for many years, but the increase of these obligations has been particularly great since 1930. Most of the unpaid salaries and pensions date back only to 1932, when former President Machado let many civil employees go unpaid in order to keep up payments on the foreign debt, and continue the large expenditures on his army.

2. Present Status of the Regular Public Debt

At the present time (September 15, 1934), the status of the Cuban public debt is as follows.

Regular External Funded Debt

The Grau government maintained payments in full on the regular external debt.⁴ The Mendieta government, by Decree-Law No. 123 of April 10, 1934, suspended amortization payments with the proviso that amortization was to be resumed when the total annual government revenues, including the receipts of the public works and other special funds, exceed \$60,000,000. Interest has been paid in full to date on the five external loans now outstanding.

⁴ No payments on the external debt fell due during the period of the Céspedes administration.

Internal Funded Debt

Interest has been paid in full to date. Amortization of \$50,000 was made in 1933 and amortization of the same amount is provided for in the 1934 budget.

No question has been raised by the Cuban government as to the legality of either the regular external or internal funded debt.

Internal Floating Debt

There has been no important change in the status of this debt since the fall of Machado, although full and reliable figures are difficult to obtain. The government has paid part of the pensions and back salaries of employees.

In November 1933 the government requested all creditors of the government to register their claims, other than those for salaries and pensions, with the *Subnegociados de acreedores del estado que funciona en la contaduría central de hacienda* before February 13, 1934. By subsequent decrees the final date for filing claims has been extended.

3. *The Public Works Debt*

The public works debt amounting to over 85 million dollars was contracted during the Machado administration. This debt is expressed in terms of American dollars and, except for \$20,000,000 in Treasury notes issued to contractors and a few unpaid contractors' claims, was negotiated through the Chase National Bank of New York City. Although several million of public works bonds are estimated to be held in Cuba, the debt is essentially an external funded debt.

History of the Public Works Debt

Shortly after President Machado assumed office, Congress passed the Public Works Law of July 15, 1925. This law provided for (1) an elaborate program of public works covering the entire island, of which the most important were the construction of a Central Highway (*carretera central*) running the length of the island, and a new Capitol in Havana; and (2) the creation of a special fund for public works, separate and apart from the regular budget, to which were assigned some already existing taxes and a number of new taxes especially created for the purpose.

The President was given practically complete authority in carrying out the public works program and the negotiation of contracts, subject to the limitation that contracts should be awarded under conditions of competitive bidding, that no "certificates of indebtedness or other similar obligations" should be issued in "payment of the contracted obligations," that all contracts were to be let within four years from the date of the law, and that all work was to be completed within ten years. The law mentioned the Central Highway as one of the urgent works to which priority should be given in the construction program. It was not until over a year later, however, that in Decree No. 1309, published in the *Gaceta Oficial* of August 20, 1926, an official estimate of the revenues to be secured from the public works taxes, and a program for the distribution of these revenues as between the various projects was announced.⁵

In August 1926 the government asked for bids for the joint construction and financing of the Central Highway—that is, an arrangement by which the government would pay the contractors out of public works revenues over a period of years. Fourteen bids, some of which covered only a part of the construction, were submitted. The Chase National Bank did not submit a bid since it was not interested in construction activities. Bids were opened on September 27, 1926, but the special public works board of the Cuban government rejected all of them as not being in the public interest. In November 1926 the government again asked for bids, on a new basis, involving (1) the submission of separate bids for the construction of the *carretera central*, (2) the submission of a bid for advances up to \$10,000,000 for the payment of work certificates issued by the government to contractors for work done. This advance was to be repaid out of public works

⁵ The estimate of annual public works taxes in this decree was:

1925-1926	\$10,000,000
1926-1927	16,000,000
1927-1928	16,000,000
1928/29-1933/34	18,000,000

These revenues were to be allocated in the following proportions between the various classes of public works:

Highways	45%
Aqueducts, sewers and pavements	10
Capitol	20
Schools	5
Hospitals and charitable buildings	5
Public buildings	5
Administration	3
Contingencies	7
	<hr/> 100%

revenues for the year 1930-1931. In response to this new proposal, nine bids were submitted and publicly opened on November 30, 1926, six for the construction of the highway, and three for its financing.⁶

The Board of Award recommended acceptance of Warren Brothers' construction bid of \$75,896,652.62, subject to several modifications, including the proviso that 25 per cent of the work be sublet to Cuban contractors and that in the provinces of Matanzas and Santa Clara preference be given to the Compañía Cubana de Contratistas for the execution of the work at a predetermined price.⁷ By presidential Decree of December 30, 1926, three-fourths of the construction was awarded to Warren Brothers, and one-fourth was awarded directly to the Compañía Cubana.

This decision as to the award of the construction contracts automatically eliminated the financing bids of the syndicate headed by Blyth, Witter and Co., and by the Compañía Financiera para la Carretera Central, as they were for the financing of construction proposals which had been rejected. The Chase financing proposal, which was not tied up with any particular bid for the construction of the highway, was accepted with some modifications, and the formal agreement between the Cuban government and the Chase Bank was signed on February 19, 1927. This provided for a credit of \$10,000,000 maturing, at the option of the government, not earlier than September 30, 1930, nor later than June 30, 1931. Under this credit the Chase Bank was to buy from the contractors at par "deferred payment work cer-

⁶ The bidders on the construction were: The Foundation Company, Ulen and Company, and James Stewart and Company, all of New York City; Octavio Navarrete, Santiago de Cuba; Warren Brothers Company, Cambridge, Mass.; Compañía Cubana de Contratistas, and Jaime Suárez Murias, both of Havana. The bids of Navarrete and Murias were for the construction of specified parts of the highway; all other bids were for the construction of the entire highway.

The bidders for the financing were: The Chase National Bank; a syndicate composed of Blyth, Witter and Co., Marshall Field, Gloré and Ward Co., E. H. Rollins and Sons, and White, Weld and Co., all financial houses located in the United States (this bid was for the financing of construction to be done by Ulen and Company and James Stewart and Company); and the Compañía Financiera para la Carretera Central, of Havana (this bid was for the financing of construction to be done by the Compañía Cubana de Contratistas). No conditions on the letting of the construction contracts were attached to the Chase bid. Of the companies submitting bids for the entire highway, Ulen and Company and the Foundation Company bid only on the basis of an administration or a cost plus system, whereas Warren Brothers and the Compañía Cubana submitted alternative bids on a fixed price and on a cost plus basis. The Committee of Award decided not to have the work done on an administration or cost plus basis, which automatically excluded the bids of the Ulen Company and the Foundation Company. The Murias and Navarrete bids were rejected as being less favorable than the bids of Warren Brothers and the Compañía Cubana. Those who are interested in following in detail the construction of the *carretera central* should consult the four volumes published in 1930 by the Secretaría de Obras Públicas, *Memoria administrativa y descriptiva de las obras de la carretera central*. Details of the bids are given in Vol. II.

⁷ *Memoria administrativa y descriptiva de las obras de la carretera central*, cited, Vol. II, pp. 258-260.

tificates" which would be issued to the contractors by the government in payment for construction on the Central Highway. The government was to pay 1 per cent per annum on the entire credit, plus 6 per cent per annum on the amount of credit actually used. As special collateral for the credit, the government pledged 90 per cent of the special public works revenues. By a subsequent agreement of May 31, 1928 the original contract was modified to permit the use of \$5,000,000 of this credit to pay contractors on the national Capitol.

The first advances under the \$10,000,000 credit were made on April 14, 1928. Between then and June 22, 1928, \$4,258,799.41 in work certificates were issued to the contractors and purchased by the bank. The resources that were available from this credit and from the public works revenues did not appear adequate to finance the very extensive public works program which had been undertaken, and the government, on April 28, 1928, asked for bids for additional credits of not less than \$40,000,000 nor more than \$50,000,000.⁸ The Board of Award recommended to the President that the proposal of the Chase Bank be accepted. A new agreement between the government and the Chase Bank, increasing the total credit at the disposal of the government from \$10,000,000 to \$60,000,000, was signed on June 22, 1928 and approved by Congress on June 28.⁹ This credit was to be repaid

⁸ Bids were submitted by: the Chase National Bank; Warren Brothers and the Compañía Cubana de Contratistas, in conjunction with the National City Bank of New York; a syndicate consisting of Dillon Read and Co., the International Acceptance Bank, the First National Bank of Boston, the Bank of Italy, Blyth, Witter and Co., and E. H. Rollins and Sons.

⁹ The principal provisions of this agreement were:

a. The existing credit of \$10,000,000 was to be converted, with a reduction in interest from 6 to 5½ per cent, into a revolving credit of \$60,000,000, available until July 1, 1930. The public works revenues as in the earlier transaction were specifically pledged as security for the enlarged credit. A total commission of 1 per cent was paid on the additional \$50,000,000 credit, and 5½ per cent per annum was to be charged on such part of the credit as was actually used.

b. The work certificates hitherto issuable only for construction of the Central Highway and the Capitol could now be issued for any public works construction authorized by the Public Works Law of 1925. The Bank was under no obligation to accept and hold at any time more than \$10,000,000 of work certificates.

c. The work certificates were made convertible into 5½ per cent serial certificates which could be sold to the public. These certificates were to mature as follows:

December 31, 1930	\$5,000,000
June 30, 1931	5,000,000
December 31, 1931	6,250,000
June 30, 1932	6,250,000
December 31, 1932	6,250,000
June 30, 1933	6,250,000
December 31, 1933	6,250,000
June 30, 1934	6,250,000
December 31, 1934	6,250,000
June 30, 1935	6,250,000

\$60,000,000

in full within 5 years, thus involving annual payments as high as \$12,500,000.

The entire credit of \$60,000,000 was used by March 4, 1930. Of this, \$50,000,000 was converted into serial certificates and the remaining \$10,000,00 held by the Bank in the form of work certificates. A bloc of \$10,000,000 of serial certificates, bearing maturities of December 31, 1931, and June 30, 1932, were sold to the public on October 24, 1928 by a syndicate of the Chase Securities Corporation, Blair and Company, the Equitable Trust Company of New York, and the Continental National Company of Chicago. A second \$10,000,000, with maturities of June 30, 1932, December 31, 1932 and June 30, 1933, were sold to the public on January 29, 1929 by the same syndicate. The remaining \$30,000,000 were not offered for public sale. These, together with the \$10,000,000 of work certificates, were held by the Chase Bank and its associates of the syndicate.

By the latter part of 1929 it became evident that it would be impossible for the Cuban government to meet, out of public works revenues, the large maturities of the serial and work certificates between 1930 and 1935 without curtailing, or perhaps abandoning entirely, construction on the Central Highway and the Capitol. The funding of the serial and work certificates seemed the only alternative to a suspension of construction. A contract of February 26, 1930 between the government and the Chase Bank sought to put the financing of public works on a more permanent basis.¹⁰ This agreement provided for:¹¹

- a. The funding of the \$40,000,000 of serial and work certificates held by the Chase Bank and its associates into 5½% gold bonds, maturing in 1945, and sold to the Bank at 95.
- b. The granting of 1-year credit of \$20,000,000 by the purchase of work certificates issued to the contractors by the government.
- c. The issuance of an additional \$40,000,000 of 5½% gold bonds,

For the conversion into serial certificates of the \$50,000,000 of additional work certificates provided for under this credit, the Bank was to receive a commission of 1.80 per cent, but no commission was to be paid for the conversion of the work certificates representing the initial credit of \$10,000,000 provided for in the agreement of February 19, 1927.

¹⁰ The above-mentioned short-term financing of public works had been done under the implied authorization of the Public Works Law of 1925, which limited any operations to 10 years after the passage of the Act. In the Law of July 24, 1928, however, the Executive was authorized to make contracts extending up to 1945, and to carry out "without any limitation whatsoever" any credit operations necessary to complete the public works program.

¹¹ This loan contract is published in full in *Empréstitos y financiamientos de la república de Cuba*, recopilados por el Dr. Juan A. Martínez y Muñoz, y Victoriano González de Torres (Havana, 1932), pp. 242-286. It is published in English in U. S., Senate, Committee on Finance, Hearings, *Sale of Foreign Bonds or Securities in the United States*, 72 Congress, 1st Session, Pursuant to S. Res. 19, Vol. 4, pp. 1998-2021.

to be held in portfolio by the government, on which the Chase Bank had an option for 5 months to purchase in lots of \$5,000,000 at 95. The first \$20,000,000 of proceeds of the bonds so taken under this option were to be used to retire the \$20,000,000 1-year credit.

Serial certificates, to the amount of \$20,000,000, previously sold to the public and maturing between December 31, 1931 and June 30, 1933, remained outstanding as a first lien on the public works revenues. The \$40,000,000 bond issue, dated January 1, 1930, was sold to the public by the Chase Syndicate at 98 early in 1930. This was the last financing done by the Chase Bank for the Cuban government which represented the incurring of additional indebtedness, other than for commissions and interest. The subsequent financial operations were simply the extension of existing credits or the payment by the Chase Bank, on behalf of Cuba, of interest or maturities on serial certificates.¹²

Of the total of \$80,000,000 advanced by the Chase Bank, \$20,000,000 representing the first two issues of serial certificates, have since been redeemed, leaving outstanding \$60,000,000 (plus a few minor items). Of this total \$40,000,000 is represented by the 5½% bonds, largely in the hands of American investors, and \$20,000,000 is in the form of work certificates held by the Chase Bank and associates. Of the total advance of \$80,000,000, \$66,182,540.71 went for the *carretera central*, \$10,015,726.41 for the Capitol, and the balance of \$3,801,801.75 for miscellaneous public works. This financing paid for approximately 60 per cent of the cost of the Central Highway and half the cost of the Capitol.

On account of market conditions in New York, the Chase Bank

¹² In June 1932 the Bank made an advance of \$2,278,125 to meet maturities and interest of serial certificates held by the public. This advance was entirely repaid by November 1932. Subsequently, in December 1932, the Bank made advances of \$3,106,250 to pay serial certificates falling due December 31, 1932, and paying maturing interest on the public works bonds and bank credit. These advances were entirely repaid by May 1933.

No sinking fund payments were due on the 5½% bonds until December 31, 1935, but the \$20,000,000 in work certificates which had been taken up under the Chase credit established in 1930 matured in March, 1931. Due to the sharp decline in government revenues, this maturity threatened to precipitate a fiscal crisis. Accordingly, the Chase Bank group extended this credit for 90 days subject to certain conditions, and by subsequent renewals it was extended to June 30, 1933. With the further decline in public revenues, the government again found it impossible to cover the maturities of the serial certificates, and the interest on these and the outstanding work certificates. By an agreement between the Bank and the government, dated June 27, 1933 and ratified by Congress on July 5, this credit of \$20,000,000 was extended to June 30, 1935 subject to certain conditions, with arrangement for subsequent yearly extensions to 1945. On the ground that the conditions of this agreement were never complied with, the Chase Bank contends that the extension did not become effective, and that the credit is now in the form of an overdue obligation. The bank also agreed to take care of the final maturity of \$1,250,000 of serial certificates.

never took up the remaining \$40,000,000 of bonds on which it held an option. Had it been possible to market these bonds, \$20,000,000, under the terms of the contract, would have been used for retiring the \$20,000,000 bank credit, and undoubtedly the other \$20,000,000 would have been used for the payment of a subsequent indebtedness of the government to the contractors for the completion of the highway. In view of the impossibility of carrying through this contemplated financing, the contractors (Warren Brothers and the Compañía Cubana de Contratistas) were obliged to accept payment in 5½ per cent Treasury obligations maturing June 30, 1935, created by Notarial Agreements No. 156 and 166 of November 1, 1930.¹³ The first five semi-annual coupons were made payable, with compound interest, on June 30, 1933.

No provision had been made in the financial arrangement between the Chase Bank and the government ratified by Congress on July 5, 1933 for paying the \$2,905,466.88 due on June 30, 1933 on the Treasury obligations issued to the contractors. Subsequently, however, on August 2, 1933 the government agreed:

a. To turn over \$2,905,466.88 of seigniorage profit from the coinage of \$6,000,000 in silver pesos at the Philadelphia Mint, to meet the maturity of the first five coupons of the Treasury obligations.¹⁴

b. To convert the outstanding Treasury obligations into a new issue of 5½% Treasury obligations, maturing in 1950, guaranteed by the same revenues as were previously pledged to the Treasury obligations.

c. To set aside annually in the general budget in the External Debt Section, beginning in the fiscal year 1934-1935, the sum of \$1,100,000 to redeem and retire these obligations.¹⁵

On February 6, 1932, by an exchange of letters between the Secretary of Treasury and the Chase Bank, the government agreed to make semi-monthly deposits with the Chase Bank of all public works revenues collected during the preceding fifteen days, these payments to be applied to payment of interest and maturity of the various loans and credits to which these revenues were pledged. This arrangement was extended by a subsequent exchange of letters, the last of which was on June 27, 1933.

¹³ These agreements are published in full in *Empréstitos y financiamientos de la república de Cuba*, cited, pp. 287, 367.

¹⁴ For further details on this coinage operation, cf. p. 314.

¹⁵ This agreement, prejudicial to the interests of the Chase Bank, involved the question of priority as between these two groups of public works creditors, an issue which was, however, temporarily placed in abeyance by the subsequent default of the government on its entire public works debt.

Present Status of the Public Works Debt

The Céspedes government continued semi-monthly deposits of public works revenues to the Chase National Bank up to and including August 31, 1933, and, in accordance with the agreement of August 2, 1933, paid \$1,400,000 to Warren Brothers and the Compañía Cubana de Contratistas from seigniorage profits.

The Grau government, which came into office early in September, immediately suspended deposits of public works revenues with the Chase Bank, without giving any reason for the suspension. Later, by Decree No. 1917 of September 27, 1933, that government: (a) annulled the agreement of August 2, 1933 with the contractors, and provided that all subsequent seigniorage profits from the coinage of \$6,000,000 in silver be turned into the general revenues of the government; (b) held that in the fiscal year 1932-1933 the government had paid to the Chase Bank \$500,116.60 in excess of the receipts in that year of revenues pledged, and that hence this sum was to be considered an advance payment to be deducted from the pledged revenues of the fiscal year 1933-1934 which were to be turned over to the Bank. A subsequent decree of January 12, 1934, suspended all payments on the public works debt on substantially the same grounds.

These decrees did not question the validity of the public works loans on constitutional or legal grounds, but merely provided for a temporary suspension of payments on the ground that the Cuban government had paid more than it was obligated under the loan contract.¹⁶ The first official challenging of the legality of the Chase loan came from the Mendieta government. By Decree-Laws 140 and 141 of April 17, 1934, the government appointed a commission of three members to examine into the Chase loans, and to report to the government on what action it should take with regard to them. This commission presented its report on June 18, 1934. Its finding was that as far as the Chase National Bank of the City of New York is concerned, the right of repudiation is indubitable; that "as far as the bondholders are concerned, from a legal standpoint the government has good reason also to decide for repudiation," but suggested that on ethical grounds the government should make some settlement with the public who held bonds which they had bought in good faith.

¹⁶ In these decrees the Grau administration apparently acted on the assumption that it was only obligated to pay to the Chase Bank the proceeds of the specific revenues pledged to the loan, despite the fact that these bonds and certificates were unconditional obligations of the Cuban government, to which it had pledged its full faith and credit.

The commission's findings that the loans were illegal were based on four main allegations:

1. The illegality of all acts of the Machado administration as a dictatorial government not truly representing the country.
2. Aside from 1, the illegality of all acts of the Machado government after May 20, 1929, when Machado began his second term of office as a result of the amendment of the Constitution, adopted at Machado's dictation, which permitted a second term.
3. The illegality of the public works financing on several grounds, of which the more important were:
 - a. The contracting of a loan without the previous authorization of Congress, as required by the Constitution.
 - b. The violation of the constitutional provision that payments of service on the public debt must be included in the general budget.
 - c. The violation of the Platt Amendment to the Cuban Constitution which forbade the contracting of loans which could not be repaid out of revenue of the government.
4. The making of advances to the Cuban government by the Chase Bank when it knew that the money was not being honestly spent by the government.^{16a}

The Chase Bank, in opposing this argument, contends that the Machado government was the *de facto* and *de jure* government of Cuba, recognized by all important countries of the world when this financing was negotiated, and that under accepted international law any successor government is responsible for these obligations. It claims that this financing met all the requirements of the Cuban Constitution. It contends, moreover, that even had there been irregularities in connection with the issue, this would not invalidate the loan provided authorized officials of the Cuban government represented to the bankers and the public that the requirements of Cuban law had been met. It points out that it had no connection with the contracts for the public works construction, that it paid over for the account of the Cuban

^{16a} In Decree-Law No. 304 the government authorized the assignment of certain revenues to the Maritime Pension Fund, including "interests and dividends of accumulated funds." The preamble of the law referred to the fact that these funds had been invested in the bonds of the Cuban Republic, including an issue that was now the "object of study by the government"; and declared that it was convenient to assign the interest corresponding to these bonds to the fund, without, however, implying a recognition of the legality of the issue. *Gaceta Oficial*, June 29, 1934.

government every cent called for in the loan contracts, and that it would have been interference with the internal affairs of a foreign government to have attempted to control that expenditure.

The public works financing has been not only challenged on constitutional grounds but has been very severely criticized in Cuba because of the close relations which existed between the Chase Bank and the Machado government, and the belief that the Chase Bank was guilty of improper practices in securing the loan contracts. In this connection several actions by the Chase Bank placed that organization in a most unfavorable light. The following facts are, to our knowledge, not disputed by the authorities of the Chase Bank, although they deny that their actions were in any way improper or that they affect the legality of the financing in question:¹⁷

1. José Obregón Blanco, son-in-law of President Machado, was an employee of the Havana branch of the Chase Bank from 1927 to 1931. Although bank officials admitted that he proved to be incompetent, his salary was nevertheless raised to \$19,000 a year three years after his initial employment.

2. President Machado was a borrower on personal account from the Chase Bank almost continuously from December 11, 1928 to July 1933. Loans were also made to a shoe factory and a paint factory controlled by Machado. Carlos Miguel de Céspedes, Minister of Public Works, who had charge of the construction of the Central Highway and the Capitol, borrowed from the Chase Bank on several occasions between January 1928 and December 1930. These loans were all repaid in full with interest. General Menocal, former President of Cuba, and the leader of the strongest political party out of power, borrowed \$125,000 from the Chase Bank in 1926. In 1933 this loan, although

¹⁷ These facts were brought out in the course of the investigation by the Committee on Currency and Banking of the United States Senate on Stock Exchange Practices (Pecora Committee). In the heat of controversy in Cuba over the Chase loan, there has arisen a general misunderstanding as to the nature of this investigation. Many Cubans have come to believe that this was a special investigation into Cuban financing, and that as a result of the facts there disclosed the Senate of the United States declared this financing fraudulent and illegal. This has led to the drawing of conclusions not warranted by the evidence, and has also fostered the belief in Cuba that the United States Senate virtually authorized a repudiation of the public works debt and that hence repudiation cannot affect Cuban public credit. Even from so high a source as former President Grau has come the statement: "The credit of the Republic cannot be affected in any way when it refuses to pay an illegal debt, whose illegality and fraud has been established before the highest legislative tribunal of the American Union, the Senate of the United States." (*El Popular*, July 18, 1934.) As a matter of fact, the investigation of Cuban financing by this committee was simply part of a larger investigation into financing by American bankers in a number of foreign countries, and neither this committee nor the United States Senate ever expressed any opinion on the legality of the Cuban public works financing.

long overdue, had not been repaid and no interest had been paid on it since 1926.

3. Mr. Henry Catlin, personal friend and former business associate of President Machado, received \$55,000 for legal services in connection with the financing of 1927, 1928 and 1930, although the Chase Bank employed recognized law firms in Cuba and the United States at the same time.

4. Dr. Enrique Hernández Cartaya, former Secretary of the Treasury and President Machado's adviser, was also paid \$47,500 and \$40,000 for legal services in connection with the 1928 and 1930 financing respectively.

5. José Obregón Blanco, as manager of the Havana branch of the Bank, paid \$2,000 to ten Havana newspapers for favorable press items which they published in 1928 in connection with the public works financing of that year. Although an official of the Chase Bank testified before the Pecora Committee that "that is a thing which we highly disapprove of," no evidence was introduced to show that the head office had refused to allow this expense or had reprimanded Obregón.¹⁸

These revelations as to relations between the Chase Bank and the Machado government made before the Pecora Committee coincided with the almost universal belief in Cuba that a great deal of graft was involved in the public works program and that Machado had either profited personally from the construction contracts or had allowed his political and personal friends to do so. No evidence, to the knowledge of the Commission, however, has been brought forward to indicate that the Bank or its officers were a party to any of the transactions connected with the construction program, that the Bank split commissions with any Cuban officials on securing the loan, or that it failed to deliver the sums promised in the loan contracts. The Bank may have been cognizant that there was a good deal of corruption in connection with the public works operations, but the contract did not give it any supervision over the expenditure of the sums advanced. There is no evidence that any Bank official profited from misuse of these sums. Yet it is very understandable why many Cubans should question the good faith of the financing and why the relations between

¹⁸In order to avoid criticism for making payments to the Chase Bank in a period when government employees were not being paid, the government withheld knowledge of such payments from the public. In one case where the government agreed to pay the bank several weeks in advance, the Vice President in charge of the Havana branch wrote the New York office: "It is only due to our close contact and friendship with General Machado and the Secretary of the Treasury that we are receiving the above payments at so early a date . . ."

the Chase Bank and the Machado administration, entirely aside from their legal bearing, have strengthened the sentiment for repudiation of the public works debt.

4. *The Burden of the Public Debt*

The burden of the Cuban public debt, contrary to an impression widely prevalent both in Cuba and in the United States, is not extremely large. This is true, whether judged on a per capita basis or on the basis of relation of debt service to total government revenues. It is small even as compared with a number of countries of Latin America—such as Argentina and Uruguay, which are maintaining a large part of the service on their debts—or with European countries like Norway, Denmark and Finland, which are meeting foreign debt payments in full. On a per capita basis it is less than \$50, as compared with, approximately, \$100 in Uruguay, \$200 in the United States, \$120 in Denmark, \$190 in Switzerland, and \$800 in the United Kingdom. The annual interest on the total foreign debt, inclusive of the public works loans other than the Treasury obligations, is about \$7,000,000. This is less than \$2 per capita, and only 13 per cent of a \$53,000,000 budget—the minimum that total revenues including those of the public works budget have reached in any one year. Had amortization payments of \$5,000,000 a year been included, the percentage of total debt payments to revenues would have been less than 25 per cent. With an \$80,000,000 budget they would be less than 15 per cent.¹⁹

Two factors, however, have made the debt burden in the last three years especially great, and have fostered the belief, both in Cuba and abroad, that a drastic readjustment of the Cuban public debt is necessary to prevent national bankruptcy. These factors are: (1) the great decline in Cuban revenues almost to the minimum²⁰—assuming that military expenditures must not be reduced—necessary to keep the machinery of government running; (2) the provisions of the public works debt, calling for large maturities and amortization payments

¹⁹ We appreciate the limitations in a judgment on debt burden by comparing the service with the annual revenues, particularly when these revenues have been drastically reduced. With revenues of \$50,000,000, the payment of a debt service of \$1,000,000 may involve more of a financial sacrifice than the payment of \$15,000,000 with revenues of \$80,000,000, even though the latter payment represents a much greater percentage contribution. We do not suggest that because a nation in good times can expend 30 per cent of its revenues on debt service, that any such percentage can be spent by Cuba, or that foreign creditors should expect it to be spent on debt service under present conditions.

²⁰ Regular budget revenues declined from \$93,559,300 in 1924-1925 to \$43,652,890 in 1932-1933; and public works revenues, which reached a maximum of \$18,121,289 in 1929-1930, fell to \$9,380,431 in 1932-1933.

after 1931. For example, in the fiscal year 1933-1934 when the original estimate of receipts was included in the regular budget of only \$44,000,000, in addition to public works taxes which were expected to yield about \$9,000,000, the meeting of all payments on public debt due that year would have required \$33,000,000.²¹ The scheduled payments in 1935-1936 are nearly \$18,500,000 and in several subsequent years are over \$15,000,000. By comparing these figures with Cuban revenues, a picture of a financial burden almost equal to that of the original reparations bill submitted to Germany by the Allies has been drawn by uncritical observers.

But if annual Cuban tax receipts increase within the next three or four years to \$75,000,000—less than tax collections in the relatively unprosperous years before 1930—the payment of interest in full would not involve unduly large annual payments, providing amortization were spread out over a number of years. Furthermore, the Cuban public debt is practically all expressed in terms of American gold dollars, and consequently its gold burden was automatically decreased 41 per cent by the recent devaluation of the American dollar.

5. *The Solution of the Public Debt Problem*

At the present time the only part of the Cuban public debt whose status is reasonably well determined is the regular external funded debt and the internal funded debt. Interest is being paid in full on this entire debt and, according to existing legislation, the suspended amortization payments on the foreign debt will be resumed as soon as government receipts exceed \$60,000,000. The status of the internal floating debt and the public works debt is still undefined.

External and Internal Funded Debt

A few years ago there was considerable talk in Cuba of a consolidation of the foreign debt, presumably on more favorable terms. Regardless of the feasibility of such a measure at that time, consolidation now seems out of the question. There is little possibility that Cuba could do any foreign financing at the present time or for some years to come on terms as favorable as those on which it floated its existing foreign loans. Its policy should be to let the status of the internal funded debt and the regular external funded debt remain as

²¹ The payments made by Cuba were actually much less than this sum, as the maturing obligation of \$20,000,000 was extended.

at present, which will mean that amortization on the latter will probably be resumed within one or two years.

Floating Debt

The floating debt, consisting of unpaid bills and arrears of salaries and pensions, presents a more serious problem. The traditional method in Cuba of handling such a situation has been to float a foreign loan, but for the immediate future that is out of the question, even were it desirable. Outstanding claims will, at least for the present, have to be handled out of Cuba's own resources. To make payment in full out of revenues would take years and it is far preferable to formulate some definitive policy as quickly as possible rather than follow the opportunist policy of using whatever money happens to be available in the Treasury for paying this or that particular favorite of the administration.

It is our understanding that a great part of the present floating debt representing unpaid bills is being traded in at a large discount, and that in many cases the present holders are not the original creditors, but acquired their claims at discount as a speculation. It seems to be the general opinion in Cuba that, whatever may be the public position of these holders of the floating debt, privately they would be delighted to settle at considerably less than par. The same is probably true of the Treasury obligations and the claims of contractors.²² We suggest that the Cuban government appoint a claims commission to review all claims and determine the amount payable. In settlement of this floating debt we suggest the issue of internal bonds, bearing about 4 per cent interest, with amortization payments to begin not earlier than five years from date. Minor claims of less than, say, \$25, might well be paid in cash, as well as a small proportion, say 5 per cent or 10 per cent, of all larger claims.

Because of the desperate straits of many public officials, it would seem that they should have prior claim to payment as compared with other internal creditors. Our suggestion is that a policy be announced of paying back salaries and pensions by a system of chronological priority; that is, all claims for January 1932 should be paid before any claims for February 1932 are paid, and so on. There should be a definite policy of using so many million dollars a year for this purpose,

²² Because of the many legal complications associated with the Treasury obligations and the contractors' claims, we have deliberately refrained from any separate discussion of them. Presumably their adjustment would be associated with the consolidation of the floating debt.

together with a given per cent of any budgetary surplus that may develop, rather than a policy of taking so many hundred thousand dollars to pay three months' salaries of another group, and two months' of still another group for an even later period.

Public Works Debt

By far the most difficult problem of public credit is the handling of the public works debt. The Cuban government undoubtedly wishes to discharge its legitimate debts and to maintain its credit standing abroad. But an advisory commission of lawyers has questioned the legality of the loans, and the Cuban public generally believes that the Chase Bank resorted to bribery in order to secure the original business. The border line between the creation of a favorable atmosphere by legal means and the exercise of improper influence can be drawn only by the courts. The Commission obviously is not in a position to pass on the question whether representatives of the Chase Bank violated Cuban law or whether the Chase loan is invalid. We do wish, however, to express our belief that the Chase Bank did not use sound business judgment in entering into these financial arrangements, and that it employed methods of securing this business which overstepped the bounds of sound public policy and banking ethics. Bank representatives went altogether too far in their efforts, as one of the Chase vice presidents expressed it, "to impress our individuality upon the President."

It is essential, however, to make a distinction between acts which are morally repugnant and acts which are illegal at the time they are committed. Aroused by the banking practices of the past few years, the United States Congress has enacted legislation severely controlling the issuance of securities and regulating the stock exchange, but has not authorized the repudiation of past financial issues which did not violate existing law.

The Cuban government has taken no action as yet on the report of the advisory commission of lawyers, which expressed the view that the Chase loan was illegally contracted and is not a binding obligation. If the government shares this view, it should say so publicly without further delay. The obvious remedy would then be for the Chase Bank to bring the matter before the Cuban tribunals and, in case satisfactory judgment is not delivered, for the Cuban and American governments to refer the question to adjudication by the Permanent Court

of International Justice at The Hague or some other tribunal. Both governments would be legally bound to accept the judgment of this court. Undoubtedly the court would have to take into consideration the fact that the Cuban government had expended borrowed money for the construction of the Central Highway and the Capitol. Should the court find that, because of illegalities, the loan contracts were invalid, it would presumably have to consider whether the funds employed for public purposes by the Cuban government should be returned to the Bank or the bondholders. The advantage of this method of procedure is that it would furnish an impartial and authoritative judgment on the legality of the Chase loan. On the other hand, the adjudication of this issue would mean a delay of several years, during which Cuba's credit would be adversely affected and, if an international court upholds the validity of the debt, the resulting obligations of the Cuban government might be greater than if it attempted to reach a settlement by negotiation.

The second alternative is for the Cuban government to negotiate a settlement with the Chase Bank which takes into account Cuba's present economic situation, the conditions under which the loan was originally negotiated, and the uses to which it was put.²³

²³ Mr. Zimmerman holds that Cuba would harm itself, since it has the public improvements, if it did not honor the bonds. The ethics of the bank in securing the business over competitors and the economic effects on Cuba of the failure to pay the bonds are in his opinion entirely different questions. Future consequences of the policy should be given dominant weight in the analysis of the course to be taken.

CHAPTER XVII

PUBLIC UTILITIES

In modern industrial life, public utilities—such as the telephone, light and power, and railroads—play a fundamental part. Electric current has become second in importance only to the air we breathe and the water we drink. While for the masses of Cuba the telephone must remain a luxury for some time, electric power should be developed to the highest degree possible as a matter of public policy. The manufacture of ice and refrigeration are based on electricity, while much of the water supply is dependent on electric power. This is particularly true in Havana, where electricity controls both water and light. It is of paramount importance that electric current be made more widely available to a growing number of communities and in greater quantities to each consumer. The per capita consumption of electricity in Cuba today is approximately $\frac{1}{14}$, and the Cuban domestic or residential consumption about $\frac{1}{3}$ of that of the United States. The railroads have also played an important part in developing the economic life of Cuba. Without the railroads the Cuban sugar industry could not have been developed, at least to its present extent. Highway competition, however, is rapidly cutting into the railroads and has created another utility problem calling for solution. All of these utilities are now owned by foreign capital.

The fall of President Machado released a variety of pent-up emotions and suppressions directed at what, to a section of the Cuban public, seemed abuses requiring rectification. Foreign-owned public utilities, which were believed to have been especially protected and favored by the fallen Dictator were among the targets and objectives of reform and reprisal. In addition there was widespread feeling, which had been growing for some years, that the Cuban public had long been overcharged for the use of electric current. What rendered the situation in Cuba unusual—if not from the point of view of most Latin-American countries, then from that of countries longer versed in public utility questions—was that there had been no regulation whatever by public authority. Public utilities secured their franchises in the early days of the industry, at periods antedating the present

development of commission control in the United States. Their maximum rates were largely fixed by the original concessions, franchises or contracts. It was inevitable that such a situation would sooner or later require modification. The utilities primarily affected were the *Compañía Cubana de Electricidad*, a subsidiary of American and Foreign Power which is in turn controlled by the Electric Bond and Share Company, and the Cuban Telephone Company, a subsidiary of the International Telephone and Telegraph Corporation which today furnishes exclusively the telephone service in Cuba.

1. *Light and Power*

The light and power service of Cuba is predominantly furnished by the Cuban Electric Company (*Compañía Cubana de Electricidad*), a Florida corporation, and a sub-subsidiary of the Electric Bond and Share Company. This is not the only enterprise in Cuba which manufactures, distributes and sells electric current, but the remaining properties are relatively unimportant in the quantity of current produced and the number of customers served.

There is little water power in Cuba, and steam is the prevailing mover for generating electricity. Except in the Cuban Electric Company's largest station at Havana—the Tallapiedra plant, which utilizes bituminous coal, blends of coal and petroleum coke—oil is the chief fuel.¹

The Electric Bond and Share Company

The Electric Bond and Share Company became interested in the development of electric properties outside the United States in the period of expansion following the World War. Cuba appeared to offer attractive possibilities and here the management set out to create an effective island-wide system of power production, transmission and distribution. The first plant acquired was that of Santiago de Cuba. In 1926 it acquired its most important interest—the electric properties of the Havana Electric Railway, Light and Power Company which during the previous fifteen years had been developed from a bankrupt concern into an expanding, efficient and profitable business under the

¹ The Cuban Electric Company's total installed capacity is 129,464.5 KW of which 118,115 are steam, 7,377.5 Diesel, and 3,972 hydro-electric. It serves 122,676 consumers in 207 communities whose total population is 1,520,000. It has 1,338.31 miles of transmission, and 2,005.75 miles of distribution lines. It serves 9,211 consumers with water in four communities with a population of 101,000, and supplies ice in three communities. Its gas plant in Havana, with an installed capacity of 10,500,000 cubic feet and 205.12 miles of mains, supplies 10,115 consumers. Their consumption is now approximately half a billion cubic feet annually.

directing genius of Mr. Frank Steinhart. The Electric Bond and Share Company bought the electric and gas plants and distribution system—in short, bought everything except the street railways, which stayed under the Steinhart management as the Havana Electric Railway Company and which continued to buy the current to move its cars from its successor in the power business. Mr. Steinhart and his associates not only received around \$240 a share for their common stock, but he was retained as director at a salary reputed to be \$40,000 a year.

In the year 1933 the company's total production through generation and purchase was 207,864,268 KWH. Of this number, 173,450,301 KWH were actually sold, the difference being accounted for by transmission losses of 19,168,728 KWH and distribution losses of 15,245,239 KWH.

Of the total of 113,969 consumers, 81,789 residential customers purchased 21,416,987 KWH; 28,007 commercial customers consumed 24,718,173 KWH; 2,808 industrial establishments bought 45,175,781 KWH; 140 agricultural units utilized for irrigation, diverse power uses and lighting, 1,449,433 KWH. The federal government bought 23,162,985 KWH for lighting and power. Municipalities accounted for 8,415,154 KWH for lighting and power. Seven public utilities of which by far the most important, and the company's largest customer, was the Havana Electric Railway Company, other municipal street railway systems, and the partly electrified United Railways of Cuba bought 42,799,209 KWH. The remainder, 6,312,579 KWH, was used by the Cuban Electric Company itself.

In approaching the study of the existing utility problem in Cuba, with special reference to electric light and power, it is necessary to bear in mind the expansive psychology which dominated American finance in the 1920's. Ever-continuing "progress," ever-increasing expansion, consumption, revenues and profits seemed to many of the business leaders of that day to be as certain as the rising of the sun. In Cuba, as in the United States and elsewhere, the eagerness to acquire existing light and power plants, and more important, the accompanying franchise and opportunity for the sale of current in new territory, was all-consuming. From 1921 to 1928 plants were bought in Cuba, always at high, sometimes at fanciful, prices judged both in relation to the existing equipment and to the potentialities of the future market. Much of the buying was done by Mr. Henry W. Catlin, who came from the United States and established relations

of personal intimacy with President Machado. Outside of Havana, purchases of plants and distributing systems amounted to little more than a purchase of rights, as these plants were largely junk, and needed to be rebuilt from top to bottom with wholly new generating machinery and distributing equipment to be installed. A high tension transmission system had to be built. This extension work was paid for exorbitantly, a large part of it being done by the Phoenix Construction Company, a subsidiary of the Electric Bond and Share Company. Large commissions and profits were reaped by the intermediaries in these purchases. Incidental expenses were lavish.

The inevitable result of this program, when the optimism of the financial minds behind it proved unwarranted and prospects were further blighted by the unprecedented economic depression and by unexpected political and social complications, was the existence of excess plant capacity and a financial overhead structure which imposed unbearable burdens.² The conflict which now arose of divergent interests—those of the company, its management in Cuba and in New York, of its investors in Cuba, the United States and elsewhere, of the consuming public in Cuba, of the workers in the company's employ, and of the Cuban and American governments with their various and respective solitudes—occupies an important part of the foreground in the politico-social drama of the twelvemonth following the fall of Machado and the ending of an old era in Cuba.

The financial set-up of the Cuban Electric Company as of December 31, 1933 gave it a total capitalization of \$178,299,650, divided as follows:

1. \$3,996,550 represented by 6 per cent first mortgage bonds due 1954, held by the public.
2. \$69,500,000 6 per cent 20-year debentures due 1948, of which \$20,000,000 are held by the Electric Bond and Share Company, \$41,000,000 by the American and Foreign Power Company, and \$8,500,000 by the Havana Electric and Utilities Company, a company which had been formed to facilitate the transfer of ownership of the Havana Electric Company.
3. \$11,843,100 of various maturities, of which \$4,062,100 are held by the American and Foreign Power Company and \$7,781,000 by the Havana Electric and Utilities Company.
4. 200,000 shares of \$6 preferred stock, of which 21,177 were in the hands of the public, 173,000 held by the Havana Electric Utilities Company, and 5,823 had been re-acquired by the company.

² The plant, property and investment account of the Cuban Electric Company on October 31, 1933 was \$194,387,000. Engineers' estimates of reproduction cost, new, vary between \$100,000,000 and \$115,000,000.

5. 542,000 shares of \$6 second preferred stock, all of which was held by the Havana Electric and Utilities Company.
6. 2,500,000 shares of common stock, of which all is held by the Havana Electric and Utilities Company.

Under the arrangement between the Electric Bond and Share Company and the Cuban Electric Company, the former renders advisory and supervisory services of an extensive character to its subsidiary. It furnishes administration, financial, legal, technical, engineering, accounting and auditing consultation and supervision. It does the foreign purchasing and arranges the shipment. Payment is made by the operating company on the basis of gross revenues received monthly, as follows:

3%	on the first	\$100,000	per month
2.75%	on the following	200,000	" "
2.50%	on the following	400,000	" "
2.25%	on the following	600,000	" "
2%	on the	excess	during month

These payments during the last six years have been as follows:

Period ending December 31, 1928	\$296,267.88
" " " 1929	426,130.10
" " " 1930	432,469.46
" " " 1931	375,020.61
" " " 1932	306,202.97
" " " 1933	272,084.38

Substantial savings have been made through this relationship, and by planned purchasing. Annual purchases amount to \$1,500,000. Long-range contracts have enabled the company to buy fuel oil at 90 cents a barrel when the best spot price was \$1.25.³

The American and Foreign Power Company makes no charges except for interest on loans to its subsidiary.

Maximum rates for Havana were fixed at 17 cents a kilowatt for the individual consumer during the military occupation of the United States by Military Order No. 2 of January 3, 1902, and, excepting a reduction to 15 cents for Havana in January 1929 and certain so-called "inducement" rates established throughout the system in 1930, were not substantially changed until the decree of President Grau San Martín on December 6, 1933. Rates of the various other small plants throughout Cuba, established in cities and towns in the 1890's and earlier years of this century, were similarly made by contract with

³ While the strike was on and coal had to be bought locally it cost \$5.50 a ton, although the price through contract which the company had been paying was \$4.70.

the local authority under the Municipal Organic Law and constituted, from the standpoint of the various light and power entrepreneurs, an "acquired right." The rate of 15 cents a kilowatt was approximately twice the rate recently charged in leading American cities.⁴

The Strike of the Consumers

Previous to the fall of Machado, there had been sporadic consumers' strikes in an effort to reduce electric light rates. Various communities and groups had abstained from using current, substituting oil lamps and candles. This procedure had seldom been effective in securing reductions, although it tended to reduce the consumption of electricity and the company's income. Apart from the actual local decrease in consumption caused by these strikes, they advertised belief in the excessiveness of these rates and tended to limit use of current elsewhere. Various municipalities also sought to secure rate reductions by legal procedure, but in vain. Machado would inevitably overrule the acts of the municipal authorities ordering rate reductions.⁵

No sooner had Machado fallen, however, than a consumer's campaign for lower electric rates spread rapidly throughout the Republic. In part this was a campaign directed at all electric light companies, in part at the Cuban Electric Company in particular, and in part at public utilities in general. One form which this campaign took was that of stenciled injunctions on plaster walls urging people not to pay their light and telephone bills.

Typical of the agitation was a mass meeting on the afternoon of August 29, 1933, at a theatre in Cienfuegos. Several hundred attended, and impassioned discourses were delivered attacking the Cuban Electric Company on various counts—that it levied excessive rates, that it was a foreign company exploiting the Cuban people, and that it had been closely connected with Machado, who, it was charged, had been

⁴ Costs of operation are, however, higher in Cuba. Cf. pp. 412-415.

⁵ The following are typical cases:

In San Antonio de los Baños, rates had been established by the original local light company in February 1906 at 20 cents a KWH, which had been continued unchanged by the Cuban Electric Company. The *Ayuntamiento* in the session of April 28, 1930 voted to reduce these rates. The company appealed, and a presidential decree of August 15, 1931 voided the action of the municipality. A consumers' strike then took place, and in consequence the company lowered its rate to 17 cents per KWH.

In Güines, on July 25, 1924, the municipality fixed rates for private individuals at 18 cents a KWH and a flat rate of \$1.25 monthly for a 25-watt lamp. On April 6, 1931 the municipality moved to reduce the tariffs for both public and private lighting. The company appealed and the President of the Republic suspended the municipality's act of April 6. In some of these cases rates had been fixed in the concessions.

an official of the company.⁶ Resolutions signed by some of the leading citizens of Cienfuegos demanded drastic rate reductions.

On September 5, the day after the Céspedes government had fallen and it was becoming increasingly evident that the temper of the Cuban public presaged a swing to the left, the company announced in the daily press that it was disposed to cooperate in the matter of rate revision, and suggested that the government appoint a technical commission to establish rates which would be just and equitable for all concerned. Meanwhile the "don't-pay-your-bills" consumers' strike was rapidly spreading, stimulated by articles and editorials in the press and by radio addresses. The new administration of President Grau took cognizance of it, and on September 30 the company accepted the President's mediation on the basis of a preliminary study to be made by a commission of technicians with the following conditions:

1. That the directing elements of the strike notify their following that, since the matter was in the President's hands for solution, they should cease their strike and pay the sums due the company.
2. That no publicity of any kind be given to the discussions and findings of the commission of technicians until a solution had been agreed on.

On October 2, President Grau by Decree No. 1975 appointed a commission to act jointly with a delegate from the Cuban Electric Company and from the Cuban Telephone Company. In the succeeding weeks while the discussions were taking place the consumers' boycott continued despite the company's protests. The company offered to make a flat 20 per cent reduction in all residential and commercial

⁶ Gerardo Machado, neither before assuming the presidency nor after, was ever an official or a stockholder of the *Compañía Cubana de Electricidad*. Machado had, however, operated two plants under a name virtually identical with that of the operating company later established in Cuba by the Electric Bond and Share Company. Machado's company was called the *Compañía Cubana de Electricidad, S.A.* Various directories show him with a Havana address as vice president of that company. As he sold this company to the larger company of the same name, it is not surprising that the confusion should occur in the public mind. That Machado had himself engaged in the electric light and power business with plants at Santa Clara and Caibarién naturally rendered him sympathetic with the electric utilities standpoint apart from his general friendliness to capital, especially American capital. Finally, Mr. Henry W. Catlin, an official of the Electric Bond and Share Company's *Compañía Cubana de Electricidad*, was an intimate of Machado's. Study of the record, however, does not reveal that the company secured the extraordinary favors from Machado which it is popularly believed to have received, or that its treatment by him was other than that which other foreign enterprise secured. Machado's policy of protecting foreign capital and its earnings was applied generally, and was revealed in his relations with the Cuban Electric Company by his overruling of local attempts at rate reductions, his refusal to seek for the Cuban people lower rates on a national scale, and his suppression of all labor's efforts to improve its status. However, the Cuban Electric Company's bills under Machado's administration were as unpaid and as uncollectible as they had been under previous administrations. (Cf. p. 416.)

rates. The commission, it is understood, made such a recommendation provisionally, although its report was never made public. Under this recommendation the residential and commercial tariff would have been 12½ cents for the first 100 KWH and 8 cents for all above. On November 24 the company informed the President that this was the utmost limit to which the company would go. On December 2 it published its economic situation which showed a reduction of gross income from \$18,485,000 in 1929 to \$7,661,000 for the year ending October 31, 1933, pointing out that the payment of dividends on the preferred stock had been passed the previous November 1, that the various economies which had been made did not suffice to enable the company to meet its obligations. These economies included the reduction of personnel from 4,289 to 1,988, and a 25 per cent salary and wage cut applicable to those whose wages were above \$60 monthly.

On December 6 President Grau issued Decree No. 2974 which reduced, provisionally, the maximum rates for gas and electricity established by the Military Order of January 3, 1902 approximately 45 per cent. The new residential tariff was established at 9.35 cents for Havana, and elsewhere at 10 cents per KWH for the first 100 KWH and 9 cents for all beyond, with flat rates for lights of 25, 40, 60 and 100 watts at 70 cents, \$1, \$1.40, and \$1.80 respectively. The commercial tariff was fixed at 10 cents per KWH for the first 100 KWH, 8½ cents for all beyond, with a minimum charge for both residential and commercial lighting of \$1. Rates for public enterprises, theatres, radio stations and newspapers, were fixed at the flat rate of 4 cents per KWH for light and power.

Furthermore, electric companies were obligated to install without charge the necessary equipment, lines, and poles, and to connect or reconnect gas or electric service for consumers without charge.

Companies were forbidden to charge for meters or to demand a deposit greater than the estimated amount of two months' service at the rates fixed in this decree. Public institutions were exempted from all deposits.

A moratorium of four months on the payment of all back bills for gas and electric service was decreed for residential users and eight months for commercial users. These debts to the company were to be divided respectively into four and eight equal parts and paid in monthly instalments. No service could be disconnected provided current bills were being paid as well as instalments on back debts.

The companies were forbidden because of the new rates to dis-

charge any employees then in service or to make wage cuts. Fines from \$100 to \$1,000 were fixed for each infraction of this decree.

The company made emphatic protest against the rate cuts and other provisions, restating the facts concerning its economic position, and adding that in its view "the right to charge the maximum rates" established by Military Order No. 2 of 1902 "constitutes an acquired right safeguarded by the permanent treaty between Cuba and the United States and by the Organic Law of Municipalities. No reduction of those rates is applicable to this company . . . as this would attack its property rights guaranteed by the 6th Article of the Statutes of the Revolutionary Government." The new rates, however, went into effect on the following February 8.

President Mendieta, who had come into office three weeks before, in Decree No. 406 appointed a commission to study the situation of the small independent electric plants and propose measures to establish rates just to them and their consumers. The three engineers who constituted this commission brought in a report on March 14 recommending an increase of rates for the 118 small independent electric plants in Cuba, on the ground that their situation was different from that of the Cuban Electric Company since their consumption was almost wholly residential. Reasons given were that the rates before Decree No. 2974 had brought no profit to these plants, many of which were barely meeting operating expenses. This precarious situation, the report stated, was due to lack of purchasing power of the people during the economic depression with resulting decrease in consumption, and to failure of the municipalities to pay for the public service, which in the small villages amounted to half of the plant's potential receipts. It was impossible for their proprietors to continue, and the municipalities or the government would have to take charge if the communities were not to be in darkness. Taking over these industries would not only create great difficulties for the municipalities or government but, "since the greater part of these enterprises have been constructed with local capital, such action would in future greatly inhibit private initiative and deliver a staggering blow to the spirit of enterprise which is so little developed among us." Consequently the rates of these independent companies should be increased.

The increased rates recommended by the commission were established in Decree-Law No. 150 by President Mendieta on April 17. They divided the independent plants into three groups based on the

size of the community. For the first group, which included the city of Pinar del Río, residential rates were fixed at 14 cents for the first 20 KWH, and 10 cents for all beyond.

For thirty-three smaller towns the residential rate was fixed at 16 cents for the first 19 KWH. The remaining 79 towns were given a residential rate of 18 cents for the first 19 KWH. The new decree, thus substantially increasing electric rates, did not apply to the Cuban Electric Company.

The Labor Conflict

While thus engaged in a rate controversy which resulted in a drastic rate reduction by presidential decree, the Cuban Electric Company was also having serious labor troubles. The first incident came on August 20, when some 800 of its employees met to form a union called the *Federación Sindical de las Plantas Eléctricas y de Agua*. The company offered a *locale*, furniture and light, which the workers declined. While apprehensive, the company offered no open opposition to unionization but certain of its officials indicated to office employees that they should not associate with the "reds" among the plant workers, while others suggested to the plant workers that their organization would be weakened by including the *amarillos* ("yellows")—office workers. Unionization, however, proceeded, enrolling a high percentage of both inside and outside workers. On September 11 representatives of the union asked the company for the *semana inglesa* ("English week"), that is, Saturday afternoons off, in one of the repair shops. This was a preliminary reconnoitering for the coming struggle. The company agreed, provided the men worked half an hour longer during the other five days.

On September 28 the *Federación Sindical de las Plantas Eléctricas y de Agua* asked for recognition. This demand was ignored. On October 10 the union demanded the suspension of two officials of the distribution department for conduct offensive to some of their subordinates. On September 19 in Decree No. 1693 President Grau San Martín had established the 8-hour working day for the entire Republic, thus removing some of the possible points of controversy from future discussions. On October 23 the union formally presented four demands, including a maximum day of eight hours; overtime to be performed by workers drawn from a list prepared by the union; a 45-hour week with 48-hour pay; compulsory unionization of all but

the higher officials; and discharge of two officials. The company rejected all but the 8-hour day, which meanwhile had been established by law. The Ministry of Labor attempted to effect a compromise, which the company declined to accept.

The forces of unionism were gaining strength, however, and on December 5 presented a list of forty-one demands, notifying the company that it must accept these demands within 48 hours. They included recognition of the union and its right to be consulted in hiring and firing, recognition of the right to strike, annual vacations, a working week of 39 hours for office workers, 45 hours for day workers, and 42 hours for night workers, all on the basis of 48-hour pay, the restoration of seventeen workers discharged in connection with the strike of March 20, 1930, and a minimum for laborers of \$1.60 daily. The demands also specified that every employee should receive courteous and proper treatment from the company, so that no official should "affront him by act, word, or annoying communication outside of his proper functions." The union also demanded the cancellation and return of payments on shares of preferred stock, when requested by an employee, and the cancellation of equipment payments with the right of the company to retain 50 per cent of what had been paid for rent and usage.

To judge the validity of these demands, it must be understood that a number of grievances existed, some of them unknown or unappreciated by higher company officials at the time, but which some of the fairer and more liberal minded executives of the company were disposed to admit. But as often happens in large organizations, there were differences of opinion as to labor policy, and the acts of a few officials went far to injure the relationship of the company with its employees and with the public. These officials and policies were thrown sharply into relief by the union's demands. One executive in particular had long been abusive in his speech to employees. The same executive also went to unprecedented lengths in prying into the personal affairs of many employees outside of office hours and attempting to regulate the conduct of their private lives. Personalities played a large part in the friction between the Cuban Electric Company and its workers.

Moreover, employees who had been with the company five years were kept on a *per diem* basis—apparently with no worthier motive than to avoid paying a month's wages if and when they were dis-

charged. These discharges, which were often arbitrary, and in any event painful, given their great number from 1931 on, produced great bitterness. American employees were granted longer vacations than Cubans—a practice which originated in the days when company officials brought from the United States were promised sufficient vacation time to return home. In some of the smaller centers in the interior reduction of personnel led to the piling of a multitude of tasks on the remaining employees, who were actually on call day and night. There had been cases where chauffeurs taking officials on apparently private “parties,” had been compelled to serve far into the night. A high pressure sales campaign of electrical and gas equipment and of preferred stock to the employees also added to the grievances implicit in the demands of the workers.

The company's troubles did not come singly, and when the 41 demands were made almost simultaneously with the cut in rates and other restrictions, the officials requested a week's time instead of 48 hours. This request the union rejected on December 8. The following day, however, its leaders were persuaded by Colonel Fulgencio Batista, the Commander-in-Chief of the army, to give the company until December 15. On this date union and company officials met together with the interim Secretary of Labor, Señor Fernández de Velasco, and Colonel Batista, and after nineteen hours of continued discussion agreed on thirty of the workers' demands, some of them in a modified form, leaving eleven for settlement within a month.

On January 12 the company's reply, which yielded but a fractional part of the remaining—and more vital—demands, was deemed unsatisfactory by the union which gave the company until 5 p. m. on the following day to reconsider. The company stood its ground, and the men struck the evening of January 13. For three hours Havana was paralyzed—without light, power, or street-car service. As the city's water supply is pumped by electricity there was an immediate menace to health. The Grau government, by Decree No. 172, therefore intervened provisionally in the administration of the company—a move which brought back the strikers.

Rafael Giraud, an auditor of the company, one of the leading spirits in the strike movement, was named provisional general manager. His first act was to order the suspension from work and pay of 35 officials consisting of all the company executives and department heads, with their assistants and secretaries—a total of 67. His order included in the

suspension all others on the "private payroll" whose names might have been omitted from his list.⁸

During the period of three weeks in which the property was under government management, the operation was actually in the hands of the workers. This period did not provide a conclusive test of the ability of the workers to conduct the light and power services without their regular executives—a demonstration which certain elements in the strike leadership and in the government were eager to make. The company declares that the property was damaged, and the books returned in a chaotic condition. Moreover, apart from the handicap of unfamiliarity with their task, the new executives faced a boycott of the banks and of the larger American enterprises—General Electric, Westinghouse, Havana Coal. The provisional administrator reported the cancellation of a shipment of 35,000 tons of coal from Norfolk, needed for one of the plants, as a result of company pressure. The American banks—the Chase, the National City and the First National of Boston—declined to cash checks made out to the company in payment of consumers' bills and to accept new deposits of the company funds. Whatever may have been their other motives, it is clear that the banks were dubious of the legality of the intervention, and wished to guard against possible suit. This situation compelled the intervention management, deprived also of credit advances from the parent companies, to concentrate on collection for current obligations. Its collections proved adequate for several reasons. Largely owing to the necessity of making a complete change in billing as a result of the change in rates, no bills had yet been sent out to consumers for the month of December. This money could now be collected. Many subscribers, also, who

⁸ The question of the private payroll, *nómina privada*, was thus brought prominently to public attention. The provisional manager charged that on taking possession he had uncovered a secret payroll for company officials. The implication was that the company had been engaged in concealing additional salaries beyond the regular payroll, paid to a favored few. The fact is, however, that the company had originally decided to include on one payroll the salaries of all employees receiving \$5,000 annually or more. It is the recognized practice of some companies not to allow the executives' salaries to become common knowledge around the shop. It may be asked whether, in the case of a public utility, this was a necessary or desirable practice, but it is an understandable one and it was not fraught with any of the sinister connotations to which the strike leaders gave currency. There was no double payroll. Thirty-five names, representing all the high officials of the company excepting the president (whose salary was paid not by the Cuban Electric Company but by the American and Foreign Power Company) appeared on the list. The monthly total of these salaries was \$22,344. The monthly average was \$638. Actually, owing to salary reductions, several names appeared on this list whose monthly stipend had fallen below \$400. In view of the gross distortions concerning this so-called "private payroll," it is pertinent to state that (excepting the salary of Director Steinhart) the salaries of the executives appear moderate. Their salaries are decidedly lower than the corresponding salaries in the United States and bear about the same relationship to the latter as the wages of the rank and file bear to those of similar employees in the larger American light and power companies.

had withheld payment in pursuance of the consumers' campaign against the company, now came forward to help out a management which appealed to them variously as "revolutionary," "laborite" or "national." Apart from some damage to equipment due to inexperience, the intervention proved an unimportant interlude. It did, however, tend to substantiate the charge that the company had been over-staffed among its higher executives and that some of these were not particularly competent. The fact is that when the company resumed control, 28 of the 67 suspended personnel were not replaced.

President Mendieta, upon assuming office on January 18, was immediately confronted with this problem, for the men struck in protest against his assuming office. Service, however, was restored a few hours after the new administration had assured the workers that their rights would be protected.

President Mendieta promptly appointed a commission to study the conflict between the Cuban Electric Company and its workers and try to reconcile the divergent interests. The commission and company officials drew up a new reply to the eleven demands, in which the company yielded much of what it had previously refused. After four and a half days' study, the commission issued a report on January 31.⁹

Nevertheless, the workers again struck in protest against the action of the Mendieta government in turning the company back to its owners. It was this situation which chiefly led to the promulgation on February 6 of Decree-Law No. 3, discussed in Chapter IX. The majority of the strikers, however, did not return to work, although a small number kept the system functioning with the aid of soldiers under the direction of the restored executives. An appeal from the management pointing out that the company had agreed to yield the eleven additional demands and appealing to the men's patriotism and civic duty, brought back the majority on February 9, although the strike in theory continued under the direction of its leaders. On February 12 the secretary-general of the union declared the strike ended. Meanwhile, with the cooperation of officials in the Ministry of Labor, discussions as to settlement proceeded, and on May 31 a final agreement was drawn up between the company and the union which set

⁹ The report is highly critical of the company's industrial relations. Some of the adverse criticism does not check with the facts, doubtless because of the stress and speed under which the commissioners worked. On January 21 President Mendieta had appointed a new commission which signed an agreement with the company providing for a 30 per cent reduction in rates in comparison with the 45 per cent directed by Dr. Grau. The company also waived claims for damages. The President, however, did not put this recommendation into effect.

down their relations in definitive form. Since that time there has been peace and harmony in the company.

The contract of May 31 established various precedents in Cuban industrial relations and was of considerable historic importance. In it the company recognized the union "morally and legally," and agreed to deal with it on all problems connected with general personnel. The union was to be consulted in matters of hiring and firing. Each employee or laborer discharged was to be paid one month's salary for each year or fraction of year of active service. A working week of 39 hours for office personnel and 45 hours for laborers was established, both on the basis of 48 hours' pay. The company agreed to grant fifteen days' annual vacation with pay to all employees and laborers who have been on the payroll one year. Sick leave was also guaranteed for all illnesses not covered by the Industrial Compensation Act, full pay to be paid for the first month, and half pay for the second month.

The company further agreed to reconsider contracts for the sale of electrical and gas equipment to its employees and laborers and, if requested, to cancel these contracts on the basis of a 50 per cent payment. It also consented to cancel and return the value of preferred stock purchased by its personnel. It was stipulated that the personnel and their superiors should mutually accord each other respectful treatment. Physically satisfactory working conditions were promised to all workers and employees.

The labor troubles in the company were in a considerable measure due to the shortcomings of the company officials, who in the early days of the conflict refused even to meet with the representatives of the union. It is just to record, however, that once a settlement had been agreed on in February, the company, following some highly needed changes of executives in Cuba, exhibited an entirely new attitude which at this writing seems to have resulted in industrial peace. The employees certainly received more than they expected at the outset, and now have a working basis with the company which may be envied by employees of many a power and light company in the United States.

The Rate Problem

As far as the rate controversy is concerned, the company's endeavor to stand on legal rights based on a military decree issued in 1902, when the science of electrical transmission was still in its in-

fancy, is in the Commission's view not entitled to serious consideration. That type of Bourbonism invites revolution, and precipitated the sweeping Grau decree of December 6. The Grau government was called on to act, and took action. In principle and purpose its action was justifiable and necessary. The rate reduction has already resulted in increased consumption.

The action of the Grau government, however, taken in the midst of a revolution, was crude and unscientific. The problem now is to establish rates which, in the phrase long used in American utility regulation, and applicable in Cuba as elsewhere, are "just and equitable."

It cannot be denied that rates in Cuba were too high before the Grau decree. The rates themselves—from 15 to 25 cents maxima, the lack of change during thirty-one years, a period in which science had been making enormous strides and more than tripling the production of kilowatt hours from a pound of coal, and the company's belated willingness, when confronted by necessity, to make a 20 per cent rate reduction, are sufficient even without the evidence afforded by more detailed available data to state unqualifiedly that rates had long been excessive in Cuba.

To understand the issues concerning the future, a few facts as to present and special conditions in Cuba are desirable. It should be clearly understood that nothing is quite so misleading as a superficial analogy and comparison of rates. Rate comparisons between American cities and towns are useful only if coupled with comparison of production, transmission and distribution costs. Conditions in Cuba are different from those in the United States. With the lower average consumption which, as has been said, is partly the cause and partly the effect of high rates, but which is even more the result of economic and social factors peculiar to Cuba, rates will inevitably appear high when contrasted with regions of greater density of population and greater diversity in the use of electric current. The greatest desideratum of a power company is a favorable "load factor," which may roughly be defined as the closest approach possible to maximum utilization of the existing plant capacity, 24 hours a day, 365 days a year. Power, unlike other commodities, cannot be stored. A power plant which approaches its maximum capacity for but a small fraction of the time and is far from it most of the time, has a poor load factor—and the production of its electricity costs more in consequence. The load factor in Cuba is poor in comparison with the United States, because of the relative lack of industries which use power at off hours, and because

of the relatively brief seasonal use of power by sugar mills and for irrigation. The consequence is that electric current is used in Cuba preponderantly for lighting, and that the company's load curves bear a resemblance to the load curves of a decade or two ago in the United States and of the earlier days of the electrical industry when it was primarily a light rather than a light and power industry. With an installed capacity of 129,464 KW, the Cuban Electric Company now rarely attains a maximum peak of half that production. Excess plant capacity is no doubt due to the earlier optimism of the company sponsors, but that is a condition which must now be reckoned with. Even assuming half that installed capacity, which for the present would be adequate for such small part of the Cuban population as is connected, the load factor is unfavorable. In a typical day of 1933-1934, the maximum of from 40,000 to 50,000 KW was attained only for the hour between 7:00 and 8:00 o'clock at night, the hour of maximum illumination, and the curve falls sharply on both sides, attaining less than half of that for 19 out of 24 hours. (See graphs, pp. 414-415.)

The depression which caused havoc to the economic life of the whole world, but far less to the electric utilities in the United States than to industry in general, bore heavily on the electric industry in Cuba. In the banner year 1930, dividends were paid on the common stock, but these were suspended in 1931. In that year a partial payment only was made on the second preferred stock; in 1932 payment on the second preferred stock was completely suspended and in 1933 approximately only a 50 per cent payment was made on the first preferred stock. The rate reductions came at the very end of that year, together with the increased labor costs in 1934, placing the company in a situation where payment on its bond interest is distinctly in jeopardy.

This financial situation has a vital bearing, not merely on the owners of the securities, not a few of whom are Cuban, but on the whole Cuban people, who will be affected adversely by failure to develop and distribute the company's electric power adequately. Despite the considerable investment already made in Cuba and the present excess capacity, the power system is far from complete, many projected transmission lines are not built, and much of the existing equipment is no longer modern and therefore productive of higher costs than should be necessary in the year 1934. The latest equipment in the company's main Tallapiedra plant in Havana, with an in-

stalled capacity of 75,000 KW, is of 1922.¹⁰⁻¹¹ An evidence of the direct cost of existing conditions to the Cuban people was the raising of rates in 118 small communities by Decree No. 2974 of March 14, 1934, which restored in a large measure, though not fully, the high rates which had been the cause of so much protest. It is obvious that new capital to extend transmission lines and to keep modernizing the generating plants will not be forthcoming, with the failure of capital in Cuba to yield a return. Given the existing power equipment and the special conditions in Cuba it is the Commission's opinion that, from a technical and engineering point of view, the company's performance is good although, with the poor load factor, costs of production are necessarily high. The arguments advanced by the commission

COMPARISON OF LOAD CURVES FOR THE WEEK ENDING

APRIL 28, 1934

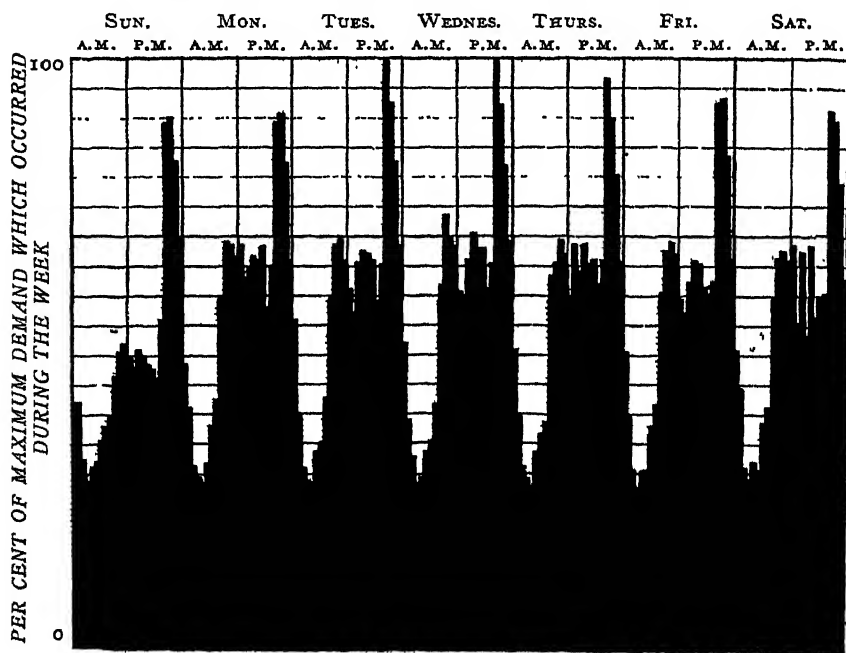
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Compañía Cubana de Electricidad

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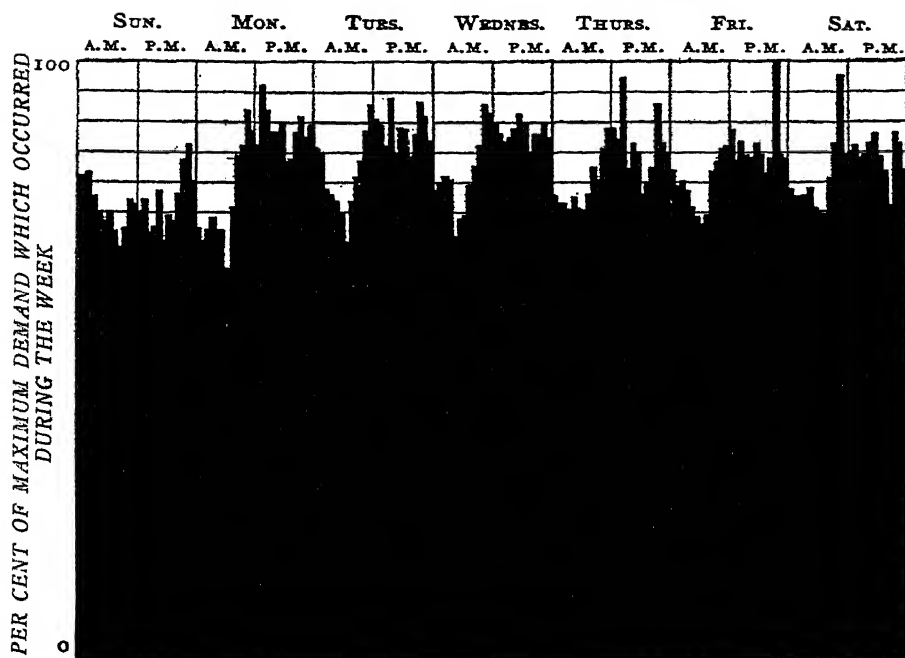
The Montana Power Company, and the Texas Power and Light Company

COMPAÑIA CUBANA DE ELECTRICIDAD

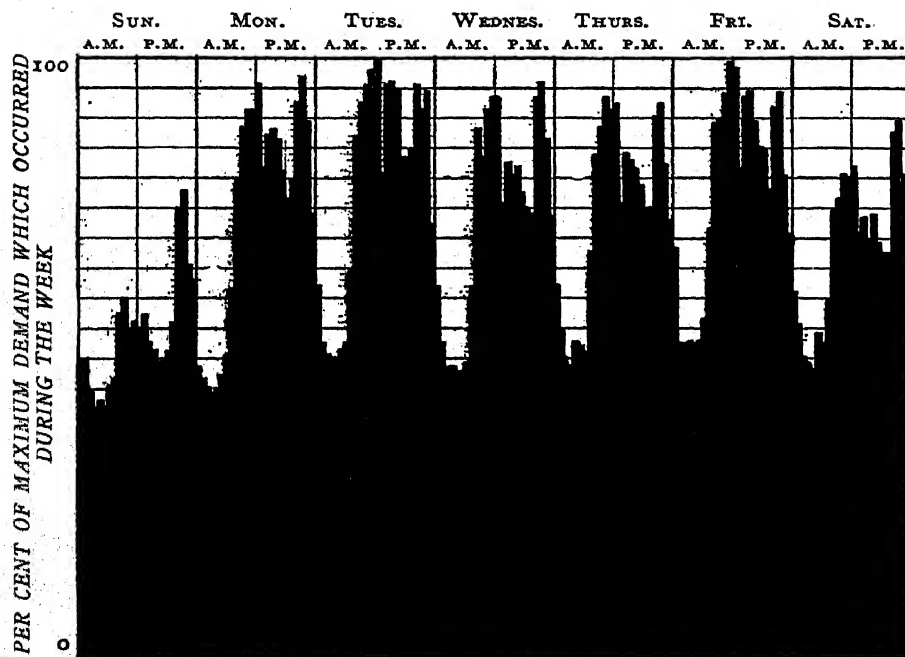


¹⁰⁻¹¹ It has two 25,000 KW Westinghouse turbo-generators installed in 1922 and two of 12,000 KW installed in 1914. There is no pulverizing equipment for coal. To install one would cost around \$20,000 per boiler and there are 14 boilers.

THE MONTANA POWER COMPANY



TEXAS POWER AND LIGHT COMPANY



of Cuban engineers, which formed the basis for the rescinding of the general rate reductions for the smaller plants and the raising of their rates by Decree No. 150 of April 17, 1934, apply to a very considerable portion of the Cuban Electric Company's system where the use of current is residential and commercial only, and where the municipalities do not pay their electric bills. Whatever may have been the wisdom or lack of wisdom of this increase, it is scarcely possible to justify the discrimination against the larger company, certainly in such of the towns where conditions are identical with those which Decree No. 2974 sought to relieve.

One other important factor in the Cuban situation renders it unique—the failure of the government and of the majority of the municipalities to pay their bills for their very considerable purchases of current for light and power. In 1933 their kilowatt consumption was 18.8 per cent of the company's total sale—an enormous item. These bills without interest now total close to \$8,000,000.

Although these bills are continuously mounting,¹² neither the government nor the municipalities entertain any suggestion of cancelling this indebtedness by release from tax payments—a just and logical solution.¹³

All of these considerations indicate that the Cuban government has not yet worked out a mutually satisfactory method of regulating public utilities. A second utility—the telephone—will now be discussed.

2. *The Telephone Situation*

The Cuban Telephone Company, a Delaware corporation, was established by virtue of a concession granted by a decree of President José Miguel Gómez, dated September 9, 1909, following enabling legislation by the Cuban Congress. Before that time telephone service had been only local, and not efficient. The new company agreed to establish island-wide service which was to include and connect 94 cities and towns, and to complete the installation within three years.

¹² Payment for current service has recently been made by the municipality of Havana.

¹³ The company pays a variety of taxes. There is a 1½ per cent gross sales tax, a 10 per cent profits tax, 4 per cent tax on interest payments, various land taxes, property taxes, municipal taxes, licenses for offices, meter taxes, money transfer taxes, etc. These for the last six years in Cuba have been as follows: 1928, \$489,096.90; 1929, \$854,721.19; 1930, \$810,334.83; 1931, \$709,789.97; 1932, \$470,081.82; 1933, \$396,904.42—a total of \$3,730,929.13 for the six years. Port taxes, import duties, taxes on insurance premiums, luxury taxes on merchandise, automobile taxes, stamp taxes, etc., add over a million dollars to the above total during that period.

While securing no legal monopoly, the company gradually acquired by purchase previously existing obsolete properties and equipment and proceeded to install through Cuba an effective network of wire communication. Before long the system was extended beyond the requirements of the concession so that virtually every town and hamlet—a total of nearly 400—was served. There are today some 163 exchanges divided by provinces as follows: Pinar del Río 6, Havana 15, Matanzas 30, Santa Clara 53, Camagüey 26, Oriente 33.

Local rates have not varied materially since they were fixed by the concession. They were set at \$4 monthly for individual residential service in cities of fewer than 50,000 inhabitants, and \$6 monthly for stores, offices or business houses. In cities of over 50,000 population, the residential rate was fixed at \$5 monthly, \$7 for professional telephones, \$8.50 for stores and business houses, \$10 monthly for hotels, cafés, casinos, clubs, theatres, and railroad stations, where the public had access to the telephones. All local service was unlimited, both in the number of calls and in the duration of the connection. Long distance service was fixed at one cent per kilometer for distances outside of the local zone up to 250 kilometers, and at three-fourths of a cent per kilometer for distances greater than 250 kilometers.

The company agreed to pay 4 per cent plus the usual property taxes of its gross revenues into the national treasury. It agreed further to supply telephones to the government free of charge, to the number of 2 per cent of the subscribers in each exchange, and to collect from the government only 50 per cent of the toll rates incurred.

The evidence seems to be conclusive that the Cuban Telephone Company, in accordance with another provision of the concession contract, kept its equipment fully modernized, and rendered efficient service, practically on a par with that in the United States.

Telephone Rates

It is a peculiarity of local telephone service that both its value to the consumer and its cost to the enterprise increase with the number of users. The number of telephones had increased, before the economic crisis in the last two years of the Machado administration, to nearly 70,000 subscribers. A comparison with the rates prevailing in the United States at that time indicates that the local charges in Cuba were low. Particularly was this the case in Havana, the region of

greatest traffic, where the zone for local calls has been substantially expanded in keeping with the growth of the metropolis.¹⁴

Toll rates have been substantially reduced from those which the company was privileged by its concession to charge. The rate from Havana to the most distant point on the island, Baracoa, is \$4.50 for a station-to-station call and \$5.65 for a person-to-person call, in comparison with \$7.17 which might have been charged under the concession. The other toll rates have been correspondingly reduced, approximately one-third to one-half for a station-to-station call, one-quarter to one-third for a person-to-person call. Nevertheless, these rates are still considerably higher than toll rates in the United States, particularly so since the Cuban Telephone Company offers no reduced evening and night rates as do the American Telephone and Telegraph Company and its subsidiaries.¹⁵

Both of these comparisons—that favorable to Cuban local rates and unfavorable to Cuban toll rates—cannot establish an absolute criterion showing the relative moderateness or excessiveness to the respective charges. The former rates, apparently favorable to the Cuban public, must be checked against the somewhat lower standards and cost of living in Cuba and its lower wages. The apparently higher toll rates must be measured also against the relatively slight use of toll service in Cuba and certain peculiarities incident to the cost of maintenance in Cuba resulting from hurricane damage. Such protest as there has been against telephone rates in Cuba has not been directed at toll rates. Nevertheless, the latter appear high.

The Cuban Telephone Company was also a pioneer in the field of radio broadcasting in Cuba. It set up the first broadcasting station in Cuba in 1922, and established the Radio Corporation of Cuba under a concession granted by presidential decree of January 12, 1929. The

¹⁴ In comparison with Havana, where the householder pays \$5 a month, the Baltimore basic rate is \$4 monthly for 50 calls, 5 cents for the first additional 100, and 4 cents for the next 100; thus the householder pays \$6 monthly for 3 calls a day, \$11.50 for 200 calls, and \$15.50 for 300 calls. In Cleveland the corresponding charges are \$5, \$8.50, and \$11.50. In Philadelphia they would be \$5.20, \$9.60, and \$12.60. In Providence the costs are \$4.03, \$9.97, and \$14.34. Other American cities reveal a similar contrast in favor of the Cuban rates. The business and professional rates which in Havana have a maximum of \$7, \$8.50, and \$10, depending on the classification, are even relatively lower than in American cities for anything but the minimum use.

¹⁵ For instance, to make the comparison between the Havana-Baracoa call, a distance of 687 miles, and approximately corresponding distances in the United States, the cost (station-to-station) in the United States is \$2.95 (including 20 cent tax) for the period 4:30 a. m. to 7 p. m., \$2.45 (including tax) for the period 7 p. m. to 4:30 a. m. and \$3.50 (including tax) for person-to-person calls. These rates for the first three minutes of a call prevail in the 667 to 730 mile zone, under which would fall such calls as New York to Fort Wayne, Indiana (678 miles), New York to Jackson, Michigan (686 miles), and New York to Muncie, Indiana (692 miles).

terms of this concession indicate a pronounced change in the attitude of government toward public utilities. Instead of being perpetual, the franchise is for fifty years, at the end of which the property of the company having to do with radio reverts to the state. The company is obligated to transmit for the state all messages free of charge, and to take upon itself the transmission by wireless of all messages customarily sent over the publicly owned telegraph lines when any alteration of the public order, catastrophe, or other unexpected cause prevents their dispatch through the usual channels. All employees in the radio stations must be Cubans. The government reserves the right to suspend the service of the company or to take possession of all or part of its stations when it deems it necessary in the event of war or public disturbance. Rates are fixed by the Ministry of Communications, and the government reserves the right to modify the rates of any company provided they are not fixed below those of similar enterprises. The Radio Corporation of Cuba agreed in its original franchise to pay 4 per cent of its gross income into the national treasury plus the usual property and stamp taxes. There is also a graded station tax for it as well as for the other stations.¹⁶ There are some 45,000 radio receiving sets in Cuba of which 80 per cent are of United States manufacture, the remainder having been assembled in Cuba. Radio has had a peculiar usefulness in Cuba due to the occasional interruption of telephone and telegraph service by hurricanes. On several such occasions the facilities of the Radio Corporation of Cuba have been invaluable in maintaining island-wide communication until the regular telephone service could be restored. From the financial point of view the Radio Corporation has not been a profitable venture.

Under the financial relationship of the Cuban Telephone Company to its parent company, the International Telephone and Telegraph Corporation owns 140,067 or 99.04 per cent of the outstanding 141,420 shares of the Cuban Telephone Company's common stock. Of the 60,711 shares of 7 per cent cumulative preferred stock, 50,862 shares are held by 1,244 Cubans, 5,061 by Spaniards and the remainder scattered among other nationalities. The preponderance of the Cubans' financial interest is worthy of note. There are also outstanding bonds to the value of \$7,015,825.

The International Telephone and Telegraph Corporation purchases

¹⁶ Only one modification had been made up to July 1, 1934 since the Machado decree of February 3, 1933 concerning radio, Decree No. 2269 of President Ramón Grau San Martín of October 21, 1933, enlarging somewhat the freedom of expression over the air established in Article 10 of the previous decree.

supplies for the Cuban Telephone Company, as it does for its subsidiaries in other parts of the world, and collects from them management and purchasing fees. The Cuban Telephone Company is also charged with a share of the rental of the New York office. The above items for the last fourteen years have been as follows:

<i>Year</i>	<i>Management Fees</i>	<i>Purchasing Fees</i>	<i>Rent of New York Office</i>
1920	\$ 55,521.45	\$ 44,400.29	\$.
1921 . . .	127,526.55	84,106.85	12,000
1922 .	152,615.76	55,216.78	9,000
1923	170,539.58	68,320.44	16,500
1924 .	199,973.48	126,466.63	24,000
1925 .	229,137.75	103,216.48	24,000
1926 . .	232,833.97	112,040.50	24,000
1927 . .	236,185.72	87,505.90	24,000
1928	248,367.24	66,030.55	24,000
1929 . .	259,812.82	81,866.86	24,000
1930	228,948.42	28,065.74	24,000
1931 . . .	187,688.69	10,784.52	24,000
1932	146,113.53	2,491.56	24,000
1933 . .	112,638.82	3,155.63	12,000

The parent company's charges appear reasonable when compared with prevailing holding company practices for corresponding years in the public utility and other fields. The percentage of gross income charged for these management services has been under 4.5 per cent, varying from 4.42 per cent in the most remunerative year, 1929, to 4.28 per cent in 1933.

In the profitable years 1925 to 1931—in the latter year the common stock dividend was paid out of surplus from preceding years—the common stock paid \$8 a share. These payments were suspended in 1932. While the company was prosperous until two years ago, such returns as it received until the present crisis would seem to be an equitable return for an excellent telephone service.

The principal incident which aroused the public against the Cuban Telephone Company before the fall of Machado followed the installation in 1931 of public pay stations for local calls. It had been customary in Cuba for telephones installed in stores, especially in drug stores, corner groceries, wine shops and cafés, to be freely used by the public without charge. The company made some inquiry before beginning the installation of pay stations, which led to the belief that the majority of the owners of these phones would prefer to have the public charged inasmuch as approximately 10 per cent of the money deposited went

to the subscriber.¹⁷ Apart from this the company officials believed that the excessive free use of these private phones by the public was clogging the service and was an undue financial burden. Many Cubans, however, felt aggrieved at being obliged to pay for a service which they had hitherto always enjoyed gratis. Considering that the free use of such phones was an established custom, it is probable that the company erred in not preparing the public by adequate publicity for what was a natural development.

Wages paid by the company, while not high, have been at least on a par with corresponding wages in other industries, and the company followed the policy, until the depression became aggravated in 1930, of consistently raising the wages of its regular employees in relation to their length of service. On the other hand, it had not been customary to pay workers for overtime, which was required chiefly in emergencies such as the repair of hurricane damage.

The company frequently waived its own rules in the matter of pay deductions for its employees during sickness. On the other hand, regular vacations with pay were not accorded to the rank and file. It was also customary for the company to make loans without interest to employees who were financially embarrassed.

With the drop in income in 1930 to a point lower than it had been since 1924 the company reduced wages 5 per cent, excepting the lowest paid category of workers. With a further sharp decline in revenue in 1932, there was an additional wage cut of 10 per cent for all but the higher executives whose percentage of salary reduction was substantially greater. In addition, the number of working days per month was reduced for certain categories of employees, which constituted approximately another 5 per cent reduction. These reductions compare favorably in their smallness with reductions by other industries in Cuba, with the reductions in wages of Cuban government employees, and with wage reductions in general in the United States as the economic depression deepened. The Cuban Telephone Company percentage of wage reduction between 1929 and 1933 was 15.63, exclusive of that applied to the salaries of the three vice-presidents and the comptroller. During the same period the number of telephone subscribers was reduced by approximately 50 per cent, long distance calls decreased 71.20 per cent, and the company's gross revenue shrank from \$5,883,829.15 to \$2,634,253.51, or 55.23 per cent, while a profit

¹⁷ The arrangement was that the merchant paid \$6 monthly and guaranteed 120 calls. Beyond that he was entitled to retain half a cent for every nickel deposited.

of \$2,052,270.13 in the banner year 1929 shrank to a loss of \$36,999.08 in 1933. The company also passed its preferred dividends in 1933.

The Telephone Strike

Organization of the employees of the Cuban Telephone Company in a labor union termed the *Sindicato de Obreros y Empleados de la Cuban Telephone Company* began early in September 1933. An organizing group dominated by left-wing workers addressed a manifesto to the "comrades" in the company, which spoke in general terms about the need of harvesting the fruits of revolution, of proceeding toward the "conquest of our rights and liberties," and pointed out that the "chain which ties the workers to the designs of capitalism is not yet broken." The manifesto called on all the employees of the company to join the union, concluding with the appeal, printed in capital letters: "RIGHTS ARE NOT BEGGED; THEY ARE SEIZED." The statutes of the union, adopted on September 11, declared that "the definitive victory of the proletariat over the exploiting class can only be won by means of a class struggle based on the unification of all organized workers. . . ."

On October 29, a "general extraordinary assembly" of the workers presented fifteen demands, including recognition, the closed shop, classification of personnel, promotion by seniority, vacations with pay, pay for overtime, selection of new employees from lists presented by the union, and gave the company five days to reply. After a meeting with union representatives, the company granted recognition of the union but reserved the right to treat with employees individually. It also declared that it would study the other demands.

The union considered this reply unsatisfactory, and virtually the entire personnel struck at five o'clock on November 29. While the office closed at that hour for the day, the night service was paralyzed.

On the following day a meeting took place, presided over by the Secretary of Labor. Representatives of the management and the union discussed the points at issue for some thirteen hours, after which the company agreed to virtually every one of the union's demands. The chief exception was that the company retained the right to hire, fire, and promote, although obligating itself to give some consideration to the wishes of the union and to notify the union of every discharge. The union leaders, on the other hand, evidently felt that they should gain some further advantages. It was evident, moreover, that a large

portion of the company's personnel was not interested in the union and did not consider itself "oppressed." The conflict, now waged rather quietly by means of persuasion on the part of the company, and some threats and intimidation on the part of the more active members of the union, was directed at winning the allegiance of this greater body of the workers. In subsequent weeks, while the company was effecting the reorganization called for by the new arrangement—such as the shortened work week, extra pay for overtime—various bulletins were issued by the executive of the union, denouncing the company and its officials.

On February 4 the union held a general assembly at which it adopted the following demands, which were presented to the company on the next day:

1. An increase of 5 per cent of all salaries of every worker and employee of the company.
2. The establishment of a minimum wage scale, increasing operators' wages, for example, from \$20 to \$30 a month.
3. Reorganization of all the departments of the company within ninety days on the basis of collective contracts, as well as certain other demands.

The company was given forty-eight hours to accept these bases from ten o'clock on the morning of February 5. Meanwhile, another group of telephone workers declared its opposition to the proceedings of the existing union and of the strike leaders.

On February 6, to meet some of the problems raised by strikes, actual and threatened, President Mendieta issued Decree-Law No. 3.¹⁸⁻¹⁹

On February 7 the Cuban Telephone Company rejected the demands of the strikers on the ground that the economic situation made acceptance impossible.

The next day the union issued a bulletin denouncing the management of the company for its "flat denial of the desire for collective betterment which our organization seeks," rejected emphatically the company's reference to the economic situation as justifying its policy, criticized the company for having disconnected more than 3,000 telephones through an order given December 31²⁰ and announced that the union would start a strike against the Cuban Telephone Company, not only to obtain its immediate demands but to bring about an im-

¹⁸⁻¹⁹ Cf. p. 202 ff.

²⁰ These were disconnected for non-payment of bills for service.

provement in telephone service. To achieve such improvement it demanded establishment of lower rates and abolition of the nickel pay stations.

On February 9 another bulletin pursued the same form of attack, referred to the company management as "blind, ambitious, reactionary . . . deaf and indifferent to our demands, which signify at this time the salvation of the telephone business in Cuba." It declared: "We shall continue on a war footing to oppose the impairment of our rights, to exact what we seek, and to try to save that which they would destroy." The bulletin concluded with the injunction to fight "for the revision of the telephone rates, for the revision of antiquated proceedings and for the betterment of our present conditions of work. Down with the exploitation of which our little girl comrades of the interior are victims. Let us fight for the extermination of that caste of conscienceless officials." At about this time it seemed apparent that to circumvent the conditions imposed by Decree-Law No. 3 concerning submission of grievances to a regular procedure, some of the workers began a policy of "strike on the job" or "ca'-canny" (*huelga de brazos caídos*).

On February 9 representatives of the union presented their grievances formally to the *Negociado de Tramitación, Conciliación y Arbitraje* of the Ministry of Labor, requesting that a commission be appointed according to law to study the case. The Minister of Labor went through the forms prescribed by law (Decree-Law No. 3) calling for a meeting of the local Commission of Social Cooperation, consisting of three representatives of the two groups, to take place the following day, February 10.

At that meeting, held in the Ministry of Labor, the company challenged the right of the strike officials to speak on behalf of the workers of the telephone company, questioning their failure to comply with the law which requires registration of the union, urging that the strike-on-the-job was in violation of Decree-Law No. 3 and that the union should therefore be dissolved. The company asked for more time to prepare a statement of its position, and it was agreed that there would be another meeting on February 12.

In three statements presented on February 12 to the Department of Labor, the officials of the telephone company adduced evidence of the strike-on-the-job and discussed the demands of the union. The company declared that it could not accept the wage demands, as it would mean an increase of more than \$104,000 a year in expenditures

when the company was not even covering operating expenses, including depreciation.²¹

On February 13 the Ministry of Labor, through the president of the local Commission of Social Cooperation, notified the union that if the facts concerning the strike-on-the-job, cited by the company, were true, this should cease immediately, and if this could not be done the union should so advise the commission. The commission subsequently investigated the situation and was unable to discover any evidences of strike-on-the-job.

On February 19 the local Commission of Social Cooperation ruled that the union was properly constituted, accepted its plea and ordered the Cuban Telephone Company to name three delegates who would form part of the commission. The commission also decided that the 5 per cent increase and the minimum wages asked by the workers be granted with certain exceptions.

The commission reached the conclusion that requests for suppression of the nickel pay stations and reduction of the rates of the Cuban Telephone Company should not be discussed as not pertinent to the proceedings; nevertheless, "given the lofty spirit in which these requests were made," it was agreed to submit them to the President of the Republic and to the Secretary of Labor for their information.

These decisions were rendered by the commission, consisting of the president appointed by the Ministry of Labor, and the three representatives of the union. No representatives of the company were present. At a meeting the next day, February 20, the representatives of the company, who were now present, entered notice of appeal to the national Commission of Social Cooperation, as provided in Decree-Law No. 3.

A bulletin of the union on February 21 hailed the decision of the commission as a victory, declaring that the resolution had been favorable to the union in all the points and denouncing the company for appealing to the higher tribunal instead of recognizing and faithfully obeying the just finding. In a bulletin issued on February 27 the

²¹ The total number of telephones in the Republic on December 31, 1933 following the years of depression was 32,308. Of these 2,514 were gratis—chiefly federal government phones, whose number with the diminution of paying subscribers had come greatly to exceed the 2 per cent provided in the concession—company telephones, police, fire department and municipality phones. As for the collective contracts, the company was studying a plan for such contracts and for the fixing of a classification setting forth the rights, duties and salaries of the workers and their promotions, but said that it would require at least a month to prepare and present this contract for the consideration of the Secretary of Labor. Finally, the company protested the shortness of time granted to prepare its side of the case. At the same meeting the representatives of the union presented a request that the Commission of Social Cooperation investigate certain details concerning the general administration of the company.

"comrades" were urged to "be very alert and to close ranks, in order when the moment arises to give the *coup de grace* to the imperialist and insatiable octopus, the Cuban Telephone Company," and the company was attacked for using lawyers to appeal and for calling on the United States Embassy "for protection against the just repulse of a whole people."

The following day, February 28, the strike committee of the union issued an appeal to the telephone company subscribers and to the public in general, which said in part:

"For more than thirty years the people of Cuba have been suffering the exploitation to which the Cuban Telephone Company holds them in submission. With the complicity of corrupt politicians, with the assistance of venal rulers, with the machinations of Ferrara, and the bloody dictatorship of Machado, this enterprise seeks to maintain the highest possible rates . . . This career of gluttony on a grand scale culminated with the height of incompetence and ambition, the nickel pay station of Cuba. Up to this moment the employees and workers of the Cuban Telephone Company were restricted in their protests by the dictatorship of Machado and with every protest they were threatened with discharge or reprisals.

"As soon as the Union of workers and employees of the telephone company could be properly organized, there palpitated in all telephone workers the eagerness to secure a revision of existing rates, not only in justice to the public so cruelly exploited by the imperialist octopus of the telephone company, but to arrive also at a betterment of the conditions of the telephone worker. We are working stubbornly for the abolition of the hated nickel pay stations, which render unnecessary the private house telephone, for the revision of rates all over the island, in order that the telephone may be placed in reach of the masses, and for better treatment of all the subscribers. The company . . . fiercely resists this plea, but we have decided in this fight to secure triumph at all costs."

The manifesto ended with a plea for a united front of subscribers and telephone workers.

On March 2 the "Cell of the Youth League and Communist Party of the Cuban Telephone Company" issued an appeal "To the Workers and Employees of the Cuban Telephone Company and to the workers in general," saying in part: "Only a few days hence we shall celebrate on the 18th of March, the 63rd anniversary of the Paris Commune . . . this cell is issuing a call to the comrades of the telephone company . . ." calling for the class struggle, the abrogation of the government's "fascist laws such as Decree-Law No. 3 and others." On March 5 a four-page flyer, *El Timbrazo*, organ of the aforementioned cell, with a headline, "END THE TRUCE! ON WITH THE STRIKE!" denounced the telephone company, imperialism and the

Mendieta government. To meet the situation, the government on March 5 issued Decree-Law No. 51 "for the defense of the Republic."²²

At five o'clock of the afternoon of March 8, following the procedure established in Decree-Law No. 3, representatives of the company and the union were to meet before the national Commission of Social Cooperation to discuss the company's appeal from the finding of the local commission. At 11 o'clock in the morning of that day, however, virtually all the employees of the Cuban Telephone Company struck. Before the walk-out, extensive sabotage was performed in the central stations and outside. Motors were perforated and ruined, cables cut. The damage done was estimated by the company at \$100,000.²³ Service was entirely suspended for a few hours. For over two-thirds of the employees the strike lasted only a short time; with soldiers guarding the exchanges, the majority of the workers returned within twenty-four hours.

The following day, March 9, President Mendieta issued Decree-Law No. 63 which declared that all collective contracts and agreements between workers and employers were void when there was a violation of the conditions regulating the method of striking as provided in Decree-Law No. 3 of February 6. This apparently was equivalent to an order for the dissolution of the Union of Workers and Employees of the Cuban Telephone Company and abrogation of existing agreements between the union and the company.

On March 13, before the newly constituted Tribunal of National Defense, representatives of the telephone company formally asked for the dissolution of the union, pointing out that the numerous acts of sabotage were a violation of Decree-Law No. 63 of March 9, as well as of Decree-Law No. 3, and Decree-Law No. 51 of March 6. Accompanying this petition was a list of the extensive damage done by sabotage.

Thereafter until September 1, telephone service throughout Cuba continued to be practically paralyzed. During five weeks long-distance calls were totally suspended, except for three calls, and for the remaining eleven weeks such calls were only 12.86 per cent of those for the 62 weeks preceding the strike. Despite the return of the majority of the workers to the telephone company, sabotage on an extensive scale continued, a manhole in Havana filled with telephone cables was

²² Cf. p. 203.

²³ *Recurso* No. 28 of Supreme Court, May 22, 1934.

dynamited, cables and wires were cut over a wide area; in the country poles were uprooted, and no sooner was the damage repaired than sabotage again took place.

On March 14 the strike committee issued a proclamation attacking "powerful Yankee enterprise" and prophesying victory for the strikers, saying: "Already the Imperialist Octopus, the Cuban Telephone Company, which sends millions to the International Telephone and Telegraph Company and pays wages of hunger to its workers, is feeling the power of our strength and its powerful tentacles are waving desperately." Denouncing the orders given by the government to detain "our comrades," the manifesto called for "answering force with force and action with more action."

In the ensuing weeks violence increased, houses of telephone workers who returned to work were dynamited, a number of the workers were assaulted and cruelly beaten, and one of the sub-exchanges in the district of La Víbora (Havana) was fired upon on March 15.

On March 15 President Mendieta issued another decree, which declared that no members of the directing committees of unions dissolved because of their violations of Decree-Laws No. 3 and 51 could hold similar office or be elected as delegates of new unions formed to take the place of the old. This prohibition was to be effective for two years. The decree further provided that the conditions of work existing before the promulgation of Decree-Law No. 63 on March 9 should continue unchanged, and that employers must accept all workers who ceased striking and presented themselves for work within twenty-four hours of the promulgation of that decree.

Pursuant to these decrees dealing with the organization of labor unions, strikes, and safety of the Republic, a magistrate of the National Tribunal of Defense of Havana wrote to the Secretary of Labor, asking him to inform the tribunal of the names of the persons who since March 6 had constituted the governing board (*directiva*) of the Union of Workers and Employees of the Cuban Telephone Company and also whether because of violation of Decree-Law No. 51 this union had been dissolved. Under date of March 27 the Secretary of Labor replied that, after examination of the register of labor organizations in his ministry, there appeared neither a registration nor a demand for registration of any organization belonging to the Cuban Telephone Company, and that, therefore, the names of the persons who constituted

the union's governing board were unknown.²⁴ In consequence, continued the Secretary of Labor, his ministry had not given out any order dissolving said union.

On April 3 several of the striking employees charged with sabotage and destruction of property were remanded to jail for trial.

At about this time a considerable group of employees within the company, not sympathetic with the strikers, decided to form a union—the “Union of the Personnel of the Cuban Telephone Company”—and went through the necessary procedure at the Ministry of Labor. The new union was apparently not a “company union,” in the sense that it was originated, stimulated and furthered by the management. The motivation of the new organization was not only lack of sympathy with the tactics of the strike but the feeling that alleged grievances were largely unfounded. This cleavage between the two groups of employees was further deepened by acts of violence against those who returned to work and against their families.

At the same time the first union (the Union of Workers and Employees of the Cuban Telephone Company) belatedly decided to register with the Ministry of Labor. Although certain governmental authorities had already declared that this union was destined to be dissolved for violating the labor code and Decree-Law 3 by not giving the Ministry of Labor eight days' notice of a strike, and Decree-Law No. 51 by committing acts of violence and threats, no such dissolution took place. The pleas of the company officials for enforcement of the existing laws were ignored. The strikers arrested for acts of sabotage were freed by the courts. The destruction of telephone company property continued, prolonging the virtual paralysis of long-distance service from Havana and greatly impairing the local service. By July 1 the physical damage was estimated as in excess of \$250,000.

On April 17 another Decree-Law, No. 145, provided a general amnesty for all crimes and misdemeanors committed up to that date in violation of Decree-Laws No. 3 and 51.

Political considerations undoubtedly played an important part in the vacillating attitude of the government. Cabinet officials changed frequently and, although the government was theoretically the same, these changes of personnel go far to explain the lack of any consistent or vigorous course on the part of the government. It is significant,

²⁴ The union apparently had not conformed with the provisions of the labor law, Decree 2605 of November 7, 1933, which requires that all labor organizations must register, giving the names of their officials, etc., at the Ministry of Labor.

however, that at this time and throughout the strike every group affected—company officials, strikers, employees at work who declared they had no grievance against the company—was thoroughly dissatisfied with the action and attitude of the government and declared it to be partial to “the other side.” The government, in short, succeeded in pleasing no one.

On April 18 a new Secretary of Labor, after a long and highly legalistic prefatory discussion of the various steps in the controversy, ordered the Cuban Telephone Company to take back all employees who had been on its payrolls on the preceding February 20. He further ordered that those who did not return to work within 72 hours would be considered as having left the company’s employ voluntarily. The Secretary also ruled that the union would “lack juridical personality” until it had duly registered in the Ministry of Labor. This was in effect a nullification of three preceding presidential decrees which implicitly provided dissolution of the union, as well as of the existing labor code.

The company, pending appeal to the courts against what it deemed an arbitrary act by the Secretary of Labor in violation of the government’s own laws and decrees, nevertheless obeyed the order by notifying the striking workers to return. These notices were published in the form of advertisements in the daily press.

At this time approximately 285 former employees were still on strike. Some 600 had returned to work immediately after the strike of March 8, some 85 more subsequently, and 199 other posts had been filled. The company protested that it had no places for some of those who had remained out on strike, since their places had been filled; that it owed an obligation to the new workers who had risked assault and injury; and, finally, that there were certain strikers who had committed acts of violence before they had actually left the company’s employ, who could not be trusted and taken back under any circumstances. Thenceforth the issue between government and company, as well as between government and employees working in the telephone company, revolved around the question of re-employing strikers accused of sabotage. The company, in the course of these discussions, reduced the number of strikers whom it declined to take back to 90. The strikers, on the other hand, refused to come back unless all were engaged.

The company’s appeal to the Supreme Court asking for an injunction against the ruling of the Secretary of Labor ordering the com-

pany to re-employ all the strikers was sustained temporarily by a vote of nine judges to six. There seems to have been some evidence that the then Secretary of Justice attempted to bring pressure on the judiciary because of its finding in behalf of the company. While the final decision of the Supreme Court was pending, the President on June 1 issued a decree establishing a "provisional intervention" in the affairs of the company, giving as the reason that "the government has exhausted all the persuasive and conciliatory means for resolving said conflict." The *interventor*, while granted the power under the decree to settle the controversy, apparently did not see fit at that time to exercise any functions other than persuading the company to re-employ all the strikers. By this time the original demands of the strikers had been abandoned, and the issue was solely that the strikers wanted to get their jobs back, while the company wanted to exclude some 90 strikers. Meanwhile, on June 17 the company had signed an agreement regarding conditions of work with the "Union of the Personnel of the Cuban Telephone Company" which claimed to represent "the united front of the employees who were at work, of whom 700 were of the old employees." This agreement contained an invitation to the strikers to return and apply for readmission. It stated that they would be admitted "provided their places had not been filled, assuming that there was no opposition to them on the part of the company or the union." This last clause served, presumably, to exclude the 90 deemed to have committed acts of sabotage or of violence against the other employees.

On June 30 the Supreme Court voided the suspension which it had previously granted of the Secretary of Labor's order of April 18, overruling the company's plea that this order was unconstitutional.

On July 24 President Mendieta issued Decree No. 1902 ordering the definitive intervention by the government in the affairs of the Cuban Telephone Company. The *interventor*, who had been functioning in that capacity, but in a purely advisory manner, took possession formally on August 8. The company, reserving all its legal rights, made formal protest in a communication to the President dated August 7. On the same night over 800 employees of the telephone company met and passed resolutions against re-admitting any of the strikers.

The government held possession of the telephone company until October 1. It then returned the telephone company to its owners who accepted the following conditions: The company would reinstate those workers who were on its payroll on February 20, with the exception

of 49 men. Employees who had been on strike since February 20 were to receive wages corresponding to the period from July 24, 1934 to September 28, 1934. Moreover the 49 employees not reinstated were to receive three months' pay. The company at the same time waived any claim against the government.²⁵ As a result of this agreement, the company not only took back most of the strikers, but retained the new workers it had engaged since the strike. The following day, an attempt to launch a general strike in behalf of these 49 workers was met by the government with a suspension of constitutional guarantees in the Provinces of Havana and Oriente. Subsequently the forty-nine strikers agreed to accept the cash payment offered in the agreement.

With full recognition of the inevitable psychological factors following the seven years of Machado's tyranny, and the great difficulty of conciliating the conflicting aims and passions which ensued, the Commission cannot escape the conclusion that the indecision and vacillation of the Mendieta administration was largely responsible for the prolongation of the strike and the consequent serious injury to Cuba's economic fabric. The episode cannot fairly be viewed as a strike based on the just grievances of the employees of the Cuban Telephone Company, but rather as the pernicious activity of a small group, a distinct minority, seeking by force and violence to impose its will on the overwhelming majority of their fellow employees, the public, the company and the government itself. While the company yielded much to satisfy the demands of its employees and the government, a nucleus of strikers coolly defied existing law and order, and the government, after repeatedly passing decrees to meet the situation, failed as repeatedly to enforce them. Granted that the well-intentioned Mendieta administration did not desire to repeat the repressive measures of Machado, it refused to face squarely the issue that a small group of terrorists had defied authority.

Such is the history of the telephone strike. It vividly illustrates the defect of anti-strike legislation, analyzed in Chapter IX; on the other hand, it shows the damage which can be done to both capital and labor by a strike conducted in a highly emotional atmosphere.

3. *The Railways*

A third public utility of probably greater importance in Cuba than either the telephone or electric power is represented by the railways. Despite its relatively small area, Cuba is covered by a network of public

²⁵ Decree-Law No. 529, *Gaceta Oficial*, September 29, 1934.

and private railways. The latter are maintained by sugar companies for the purpose of hauling cane to the *central* from the field, and are not open to the public. Both types of roads are subject to the provisions of the Railroad Law of 1902, which established a Railroad Commission.

The public service railways are dominated by two main systems—the Consolidated Railroads of Cuba which control rail transport in the eastern provinces, and the United Railways,²⁶ which control transport in the west. The latter company represents a consolidation of various lines, including the Havana-Güines line built originally by the *Junta de Fomento* in 1837.²⁷ The Consolidated Railroads of Cuba is a holding company which acquired the ownership of the Cuba Railroad Company, the Cuban Northern Railways Company and the Camagüey and Nuevitas Railway Company, following the enactment of the Tarafa Act in 1923. While it is dominated by American capital, the United Railways is British.²⁸ In a number of cases the Cuban government has subsidized railroad construction. Thus in a contract of May 25, 1909 it agreed to pay the Cuba Railroad \$5,000 per kilometer to construct a branch line through southern Camagüey; and later agreed to pay a similar subsidy of \$12,000 a kilometer to the Cuban Northern Railways.

The railroad mileage in Cuba is shown by the following table:

Provinces	Area Square Kilo- meters	Popula- tion	RAILWAY ROUTES *			Route Kilo- meters	
			Public Serv- ice	Pri- vate Owned	Total	Total Per 100 Sq. Kilo- meters	Per 100,000 Inhabi- tants
Pinar del Río..	13,486	343,480	227	294	521	3.86	152
Havana	8,205	985,500	602	372	974	11.87	99
Matanzas ..	8,436	337,119	716	867	1,583	18.76	470
Santa Clara ..	21,386	815,412	1,480	2,301	3,781	17.68	463
Camagüey ..	26,208	408,076	811	2,495	3,306	12.61	810
Oriente ...	36,803	1,072,757	1,051	2,765	3,816	10.37	356
Totals . . .	114,524	3,962,344	4,887	9,094	13,981	12.20	352

* *Estadísticas*, 1932, p. 1.

²⁶ The full name is United Railways of the Havana and Regla Warehouses, Ltd.

²⁷ For a history of the various railways, cf. W. Rodney Long, *Railways of Central America and the West Indies* (Trade Promotion Series, No. 5, Department of Commerce, Washington, 1925), pp. 157 ff.

²⁸ The Cuba Railroad Company was established in 1902; the Cuban Northern Railways, the president of which was Colonel Tarafa, was established during the World War to construct a line along the northern coast of Santa Clara Province including Port Tarafa, on the north coast of Camagüey. This is probably the most important port in Cuba from the point of view of handling and storing sugar.

The five leading railroads, as far as mileage is concerned, are:

United Railways	2,248 kilometers
Cuba Railroad Company	1,277 "
Cuban Northern Railways	465 "
Guantánamo Western	148 "
Hershey Cuban Railroad . . .	132 "

There can be no doubt that, if it had not been for the railroads, Cuba's economic development during the past 30 years would not have taken place, at least to such an extent. For a time the railways profited by this development. Between 1914 and 1918, for example, the operating expenses of the United Railways constituted only from 52.73 to 58.86 per cent of its receipts. Between 1922 and 1925 this ratio for both the United and the Cuba Railroad ranged between 60 and 70 per cent. To a large extent the prosperity of the railways was a reflection of the growth of the sugar industry. The roads have a capacity to transport a crop of 6,000,000 tons, and sugar has provided about 81 per cent of the total rail revenues.²⁹

The decline of sugar exports, the growth of the general depression and increasing competition from the highways have brought evil days to the railroads during recent years. In 1932-1933 the operating expenses of the United Railways constituted 110.15 per cent of their gross revenues, and 87.85 per cent in the case of the Consolidated Railroads of Cuba. The situation for all the public railroads as reported by the National Commission of Statistics is as follows:³⁰

Year	Fuel Consumption			Pas- sengers Carried (000)	Freight Carried (000 tons)	Gross Operating Profit	Losses	Year's Profit or Loss
	Coal (tons)	Oil and Gas (000,000 gals)	Elec- tricity (000 kw.)					
1927/8	9,972	1,382	6,147	24,199	27,046	\$24,797,185	\$75,834	\$24,721,351
1928/9	12,860	1,284	6,648	23,305	32,020	25,297,436	79,117	25,218,319
1929/30	9,797	296	6,095	22,201	29,717	20,122,517	224,869	19,897,648
1930/1	5,340	56	5,497	15,983	19,071	12,096,043	63,552	12,032,491
1931/2	3,405	45	6,192	10,219	15,922	1,526,338	921,305	605,033
1932/3	2,473	37	6,132	8,713	13,079	1,244,163	2,636,610	-1,392,447

²⁹ Between 1919-1920 and 1932-1933 the Consolidated Railroads paid a total of \$4,627,587 in taxes to the Cuban government, the highest figure being \$494,343 in 1924-1925, and the lowest being \$47,867 in 1920-1921. In 1932-1933 the amount was \$200,353. The railways are not allowed to deduct from their taxes sums owed them by the government. The Cuba Railroad has claims against the government amounting to \$4,534,100. About half of this sum is for unpaid subsidies for transporting the mails; and more than \$2,000,000 is for damages done to the railway during the revolution of 1917. Both the Cuban Northern and the Hershey Cuban also have large bills against the government.

³⁰ For the three years, 1931, 1932, 1933, the United Railways of Havana show a loss in operation, increasing from \$158,723 to \$656,362. Including all its operations, the Consolidated Railroads showed a loss of \$2,559,811 in 1931-1932, which increased to \$4,604,621 in 1932-1933.

Neither of the leading railroad systems is paying dividends either on its common or preferred stock. The Consolidated suspended such payments in January 1932. The United Railways was obliged in June 1930 to make an arrangement with its bondholders postponing full interest payments on the bonds.³¹ Before discussing possible remedies of the situation which confronts the railroads with bankruptcy, we shall mention two threats to them—the first coming from the so-called sub-ports, and the second from motor vehicles.

The Sub-Ports

Cuba today has twenty-six public ports which are open to commerce generally. It also has sixteen "sub-ports" which are the private property of the commercial interests which constructed them, although they come under the jurisdiction of the neighboring public port and of its government customs agent who collects the regular duties. By linking up their private railways to these sub-ports, many sugar companies save a large part of the transport charges which would be imposed if they shipped out sugar via the public railroads and public ports located at a greater distance or involving larger freight or handling costs.

Many Cubans have severely criticized these sub-ports maintained by sugar companies. It is contended that workers are paid smaller wages in sub-ports than in public ports and that the sub-ports, which are tributary to the company stores maintained by large sugar *centrales*, constitute centers of smuggling. The difficulty with these criticisms, which may or may not be well-founded, is that they ignore the fact that the existence of many sugar *centrales* may depend on freight charges, and that thousands of Cubans dependent on such *centrales* may suffer if the Tarafa Act should result in closing down a number of mills.³² Cuban opinion does not seem adequately to realize, moreover, that the criticisms levied against the sub-ports may be utilized by one group of foreign capitalists to secure an unfair advantage over another group. The solution of the sub-port problem lies in their closer supervision by the government.

Criticisms against the sub-ports were, in fact, utilized in 1923 by certain railway interests to consolidate their position at the expense of a part of the sugar industry. In that year important sugar mills in Camagüey Province planned to open sub-ports which would have

³¹ Preferred dividends having been passed in January of that year.

³² Cf. p. 301.

taken away sugar traffic from the Cuban Northern Railways and Port Tarafa, which had recently been completed. As a result of the effective lobbying of Colonel Tarafa, head of the Cuban Northern Railways, Congress enacted the famous Tarafa Law of October 9, 1923.

This law authorized the organization of a "company of national character" to acquire ownership of three public railroad companies, provided two of such companies were Cuban, having connecting lines of at least 400 kilometers. By virtue of this law the consolidation of the Cuba Railroad Company, the Cuban Northern Railways and the Camagüey and Nuevitas Railroad took place in the summer of 1924 under the holding company known as Consolidated Railroads of Cuba.

In the second place the Tarafa Law made it virtually impossible to construct new public railroads and convert existing private lines into public carriers without the consent of the Consolidated Railroads.³³

Finally, the law prohibited the establishment in future of new private ports. It declared that only the 26 first class ports could carry on import and export trade. The original bill would have abolished all existing private ports but, as a result of protests, it was amended so that as finally enacted it allows the owners of private ports to perform through their existing private ports the same kind of operations they performed through them during the fiscal year 1922-1923. But this right could not be transferred to any other *central*, even though owned by the same company. On January 22, 1932 an amendment to the Tarafa Law was enacted which prohibited importation through the private ports of any articles except machinery and certain other supplies for mills and mines.³⁴ It also reinforced the prohibition on the use of private ports by limiting it to the mills or industries to which they had been granted.

Following the enactment of the Tarafa Law the government, supported by the Cuban Supreme Court, declared that the Cuba Cane Company could export through its sub-port at Palo Alto only such sugars as were produced by mills which had in fact exported sugar through Palo Alto in 1922-1923. The government contended that before this date the company had used this port, as to certain of its mills, only for the shipment of molasses, and could not now, there-

³³ Such conversion could take place under the 1902 Railway Law, on compliance of the owners with certain requirements. Cf. *The Railroad Law*, Chapter XI, paragraph III, February 7, 1902.

³⁴ *Gaceta Oficial, Edición Extraordinaria*, No. 2, January 23, 1932.

fore, employ it for the purpose of exporting their sugar. Moreover, the railroad commission, with the approval of the Supreme Court, revoked the right held by certain sugar companies for many years to maintain crossings for their private railroads over the public service railway lines, on the ground that the companies had violated an easement which was confined to the transportation of cane or that such crossings were mere permits. This revocation has caused substantial damage to sugar properties which had been developed on the basis of such crossings.³⁵

Highway Competition

Although the government, by enacting the Tarafa Act, saved the railroads from competition by new sub-ports, it began two years later the construction of the Central Highway which now offers intense competition to the railroads. In Cuba today there are 1,535 omnibuses, 252 other commercial vehicles and 8,802 *camiones*.³⁶ Numerous bus lines on the Central Highway have seriously affected the business of the railroads. The passenger rates charged by motor vehicles on the highway are only about a third of those charged by the railroads. Freight rates on the highway, a type of traffic which requires higher operating expenses than passenger service, are about half those of the railroads. Except for the payment of license fees and taxes on gasoline, the buses and automobiles contribute nothing to the upkeep of the Central Highway as compared with the railroads, which are responsible for maintaining their roadbeds and amortizing their investment. Subject to little control on the part of the government, the bus companies have engaged in rate wars and cut-throat competition, which are prohibited, so far as the railroads are concerned, by the rate-fixing power of the government Railway Commission. Omnibus drivers are paid from \$31 to \$37 for the equivalent of a month's work, in comparison with between \$104 and \$108 for railway engineers and conductors.

Numerous critics declare that the leading railways have not really attempted to adapt themselves to new conditions and that they have kept rates at excessively high figures. While some of these criticisms

³⁵ For decisions relative to the Quesada and Stewart crossings belonging to Cuba Cane, cf. Comisión de ferrocarriles, *Memoria sobre los ferrocarriles en el año de 1931 a 1932* (Havana, 1934), pp. 81, 98, 212, 419.

³⁶ There are 17,728 ordinary automobiles in Cuba, only half of which are private cars. Including all motor vehicles, Cuba has one automobile for every 174 inhabitants, in comparison to one for every 5.3 persons in the United States, and one for every 266 in Mexico. Cf. *Estadísticas*, 1932, p. 4.

may be true, we are not qualified to pass judgment on detailed rate-structure, or on the question whether the investment of the companies is over-valued. Nevertheless, it is clear that the railroads are confronted with a heavy operating deficit and that unfair competition on the part of motor traffic is a major factor contributing to this condition. On the other hand, as Chapter XIII indicates, the Cuban railways, through the Tarafa Act, are responsible for imposing an arbitrary and, in these times, possibly a ruinous burden, on a number of sugar *centrales*. The extinction of these mills would deprive the railroad of much sugar traffic and thus work both against their own interest and that of the country as a whole.

The repeal of the Tarafa Act would undoubtedly further cripple the revenues of the railroads, but some critics raise the question whether the Cuban government should not allow the railroads to die. They argue that, in view of the small size of the country, motor transport would be much more economical than rail, once a highway system is established. While Cuba is admittedly poorly adapted to cheap rail transport, the fact remains that, except for the Central Highway, it has very few first class roads today, and it is by no means certain that the government will maintain the Central Highway in good repair. Every government plans to extend highway construction, but the Cuban public has no assurance that these plans will be carried out. To allow the railroads to suspend operation before the government has demonstrated its capacity not only to construct, but maintain, adequate highways, would be to imperil the existence of Cuba's economic system and jeopardize the success of a diversification program.

It does not follow, however, that the Tarafa Act should be retained and that the interior sugar *centrales* should be sacrificed to the railway interests. The Tarafa Act is arbitrary and unjust to certain mills. If the sugar industry should be taxed on behalf of the railroads, that tax should be imposed on the industry as a whole. In our opinion the most equitable form of compromise, from the point of view of the interior sugar *centrales*, the railways and the thousands of Cubans who depend on these economic interests, would be the abolition of the present freight rate on sugar which is based on tonnage and mileage, in favor of a flat tonnage rate for transporting sugar from any *central* to port, regardless of the mileage. This rate should be fixed at a point to yield to the railways the same amount of revenue which they now receive from the transport of sugar under the present rate system. Such a change would mean that mills located near the coast would pay higher

while those in the interior would pay lower freight charges than at present. The change would equalize the burden on the sugar industry, and distribute it so that it should not be oppressive to any of the *centrales*. Moreover, the new public utilities commission, later proposed, should have the power to open new ports under public control, and to convert private railways into public carriers when the Development Commission or some other official agency believes that such measures would further the work of diversification and rural reconstruction.

While these changes would constitute, in our opinion, an equitable settlement of a controversy which has poisoned the relations between the railways and certain sugar mills, they would not affect the question of highway competition. Toward this end, we favor the enactment of legislation, sponsored by a number of Cubans, placing all motor transport under strict government control, and obliging passengers and freight carried by motor transport to pay a surtax, the proceeds of which might be applied toward the maintenance and construction of first-class highways. The new Public Utilities Commission should then proceed to re-examination of the railway rate structure, while the government should proceed with the orderly building of lateral roads throughout the country. It is possible that within fifteen or twenty years such construction may render railway transportation unnecessary; but it is probable that, if the resources of the island are fully developed, there will be a need for both highways and rail.

Government Ownership

A number of political groups in Cuba have expressed sympathy with the idea of public ownership of the telephone, electric power and railroad companies—an idea which many countries in the world have applied. While the commission is by no means opposed to the principle of public ownership, it doubts whether it would be wise for Cuba to adopt this principle, at least for some time to come. The administrative system of Cuba has many defects which need to be repaired, and the imposition of new responsibilities should take the form of a reconstruction program which we outline in the next section. At present Cuba does not have the capital to purchase existing utilities and what capital it may raise hereafter can be used to better purpose for other features of a reconstruction program. The Cuban utilities are not prosperous and, if taken over, would probably produce a budgetary

deficit as well as deprive the government of revenue now received from taxation.

4. *A Public Utilities Commission*

It is obvious, however, that Cuba is in need of a competent and independent public utilities commission. Had such a commission existed in August 1933, the problem of rate structures and the underlying problems of capitalization, investment, operating costs, taxes, wages and industrial relations would have been approached far more scientifically. These problems still await solution.

Although Cuba today has a Railroad Commission, established by the Railroad Law of 1902, this body is subject to two grave defects. In the first place, the members of this commission are government ministers, whose tenure depends on the vicissitudes of politics and who have no time or expert knowledge to give the commission. In the second place, the expenses of the commission are borne by the railroads, a provision which inevitably affects its independence.

We favor the dissolution of the Railroad Commission and the establishment of a Public Utilities Commission to have jurisdiction over matters affecting the railroads, telephone, electricity, gas and highways in Cuba. Such a commission should be composed of Cuban engineers, lawyers, representatives of consumers and of labor. But if this commission is to function effectively, it is indispensable that until Cuban engineers acquire the highly specialized knowledge and experience needed in the utility field, the commission draw on the quarter of a century of experience with commission regulation in the United States, from which the American people are beginning to profit. It is highly desirable, therefore, that the Cuban government secure the assistance of competent technicians thoroughly vouched for by the Federal Trade Commission in the United States, which for the last six years has engaged in the most exhaustive study of every aspect of the power and light problem of both electric and gas utilities. The Federal Trade Commission is in a position to recommend to the Cuban government the qualified engineers and cost accountants who should be employed by the Cuban commission for a period of at least three years. Under such endorsement (or that of the Federal Power Commission or the Tennessee Valley Authority, whose judgment would be equally valuable), the Cuban people may feel confident of receiving sound, disinterested and expert counsel. The

Cuban government will be extremely shortsighted if it endeavors to continue to handle the utilities problem arbitrarily and haphazardly with the present lack of technical knowledge.

On December 6, 1934 the electric rates established by Decree No. 2974 had been in effect for a year. It will be possible, after careful study based on all available data, to judge how nearly these have been fair and equitable and to determine what modification should be made in them. It is self-evident that they require modification. They are unscientific; in some categories they limit rather than stimulate consumption. But it is no less axiomatic that such modification cannot be made through a hasty, casual survey of a few days or even a few weeks by a group of local engineers not specifically trained in the very special sub-science of electrical engineering dealing with power production. The same is true of gas and telephone rates.

The problem of utility regulation is to assure adequate service at rates which will protect the various interests involved: (1) that of the consumer; (2) that of the public in general—in a sense apart from that of the individual consumer—the interest being to promote the value and usefulness of the utilities service to the social and economic structure, and to insure the service's continuity, improvement and growth; (3) that of the worker in the utility; (4) that of the investor. Given the special nature of public utilities, their indispensability, the necessity of their functioning without interruption or impairment, it is clear that their labor problems must be considered on a different basis from those of labor in other industries. The damage to the nation from the telephone strike is self-evident. An interruption of power service is fraught with even graver consequences. The cost of utilities service, in which wages, working hours and conditions are an important factor, is the chief issue with which a regulatory commission is continuously engaged. It is highly desirable that the utilities' industrial relations in Cuba, the questions of wages, hours, number of employees, and categories of labor, be within the purview of the proposed Cuban Public Utilities Commission. (To date few state regulatory commissions in the United States have dealt with labor matters.)

The Cuban utilities commission should also pass on financing—on loans and security issues. One of the questions which such a commission would doubtless confront at once is the revamping of the financial structure of the Cuban Electric Company and the allied holding companies in so far as they affect Cuba, to bring it into conformity with present day realities. From a technical point of view, unification of

all the light and power resources of Cuba in one system under one control is desirable. Under present conditions the Electric Bond and Share Company can scarcely be expected to augment its present investment for this purpose—assuming that private capital were available, which it undoubtedly is not—to acquire unprofitable or barely self-sustaining properties which, moreover, under existing discriminatory rate decrees in favor of the small independent plants, would lose their present advantage by transfer of ownership. The proposed commission might well work out a plan by which the government's and municipalities' indebtedness to the Cuban Electric Company be paid, with the understanding that this sum or part of it be used for capital expenditures. The \$8,000,000 due the company would go far to complete the island-wide transmission system and permit the modernizing of generating stations with resulting lower production costs, lower rates, and wider use of electricity.

Taxation of utilities should also fall within the scope of the commission. The present taxation on gross receipts might well be abolished and a progressive tax on net profits substituted. Real estate taxes by municipalities which consistently decline to pay their electric bills should be suspended.

In formulating its power policy the Cuban government should also be guided by the experience of the United States and not fall into the error of permitting the regulatory commission's decisions to be endlessly delayed and thwarted by what is often the less competent opinion of the law courts. Cuba should make sure, as far as humanly possible, that its commission be composed of men of absolute probity as far removed from politics as possible, buttressed for the first years by properly qualified experts invited from abroad. The Cuban government should pay these commissioners adequate salaries and secure their full-time services. It should give them full and final authority and be prepared to adhere to their decisions.³⁷

³⁷ In September 1934 the Cuban government established a national public service commission, composed of the Secretary of Communication and the Secretaries of Commerce and Labor. This commission is to prepare measures for the development and improvement of all public services in the country except railroads and electrical communication. The commission will draw up as soon as expedient projects of adequate legislation to govern public services, especially passenger and freight transportation, again excepting railroad and electrical communication. (Decree-Law 531, *Gaceta Oficial*, September 29, 1934.) This commission has the same defects in composition as the railroad commission. A new commission should have jurisdiction not only over railroads but over all utilities. The proposed body, however, might be developed along the lines we suggest.

NOTE: Mr. Zimmerman makes a reservation that he cannot coincide with all of the points of view expressed in this chapter. He holds that the problem of public utilities is so complicated that in the short time at his disposal he has been unable to reach conclusions and is unwilling to give blanket endorsement to all of this analysis and program.

Mr. Thomson holds that in the discussion of the telephone strike the case of the workers has not been presented with entire objectivity and consequently he enters a reservation con-

CHAPTER XVIII

I. AN IMMEDIATE PROGRAM OF RELIEF ¹

The underlying theme of this report is that the mass of the Cuban people are suffering because of unemployment, particularly during the dead season in the sugar industry. Although improvement in the price of sugar may lead to increased wages, it will not provide permanent, all-year-round employment. On the contrary, the restrictions imposed by the state of the world sugar market mean that the country is doomed to a grinding season of less than three months and a dead season for the remainder of the year unless unexpected developments take place. With the return of confidence, sugar *centrales* will give part of the country population employment in replanting and cultivation, but there will probably be several hundred thousand Cubans who cannot hope to receive wages from the sugar industry during the full twelve months of the year. The most immediate problem of the Cuban government is to develop new sources of income and living for this population. Since this cannot be done, in the near future at least, by developing new branches of commercial agriculture, or industry, and since cash relief is out of the question, the remaining alternative is to develop an adequate income through sustenance farming. Unless the problem of providing food for the masses of the people is solved, there can be little prospect of political stability or ultimate reconstruction.

As we shall later point out, the Commission is in full sympathy with the widespread demand in Cuba for agrarian reform and land colonization, but the mere distribution of land to people who do not know how to use it is bound to prove a failure. An essential corollary to agrarian reform is education in food habits and methods of producing foodstuffs. Cuba's pressing problem is to provide food for its people and show them how to farm. If possible, methods should be

¹In reference to this chapter Mr. Zimmerman suggests that a program for the making of the *centrales* self-sufficient for food production may be a long-time permanent adjustment, as well as an immediate program. He also holds that the grant of private lands within the domains of sugar *centrales* should be done only in such a manner as to protect the full economic efficiency of the estates. Finally, he feels that communities organized according to a standard plan have not shown themselves to be any more efficient socially than others.

employed which will enlist the pent-up energies of the younger generation as well as the sympathetic cooperation of the sugar mills. For there is no conflict between the interests of the people as a whole and the sugar industry, especially as far as emergency measures are concerned. Cuba has land enough for the purpose of producing both sugar and the food which the people need. Despite the vast area devoted to sugar cane there are thousands of acres of fertile land which are not cultivated at all. Moreover, in order to produce an annual crop of 3,000,000 tons of sugar, the *centrales* probably cannot use more than two-fifths of their present holdings.

1. *Food Production by Centrales*

The failure to adopt a national relief program has led a number of sugar mills during the past few years to expend considerable sums for the maintenance of soup kitchens and the free distribution of food. It has also led to profound labor unrest, which came to a head in the series of radical strikes which swept the island in 1933-1934. A grave danger still exists that, unless a national program is adopted to meet the elementary needs of the population, labor unrest will again appear, perhaps in a more extreme form, and eventually make the position of capital untenable. The sugar industry has everything to gain from the adoption of measures looking to the establishment of a stable and relatively contented labor supply. The interests of this industry thus coincide with the welfare of the country as a whole.

During the past few years a few *centrales* attempted to develop sustenance or part-time farming among their workers so as to save them from complete want. But most of these experiments were carried on in a haphazard manner. Few if any *centrales* placed responsibility for a foodstuff program on a full-time manager. Uncertain as to the future price of sugar, the *centrales* did not feel in a financial position to develop a food program. Moreover, it is true to say that the sugar mills have not given this question a tithe of the thought they have given, say, to the care of bulls. Some of them still act as if conditions may again return to the years when 5,000,000 tons were produced. With the recent adoption of steps looking to the stabilization of the market, it has become possible to adopt long-range measures. Nevertheless, as soon as sugar prices improved in 1933, many garden programs were stopped immediately, and workers neglected the harvesting of their food crops in order to return to the cane fields. If these

experiments developed during the past few years are entirely abandoned, the condition of the Cuban countryside will be little better than in the past. An increase of a few cents a day in cash wages over a period of three months does not compensate for the lack of a goods income during the remainder of the year. Unless this problem of a 12-months goods income is met, the government and the sugar industry will both continue to be confronted by serious social problems threatening their existence.

Not only does Cuba possess ample land to provide food for its population, but it is the home of a highly developed form of scientific agriculture. The sugar *centrales* have employed many competent scientists and engineers in the production of sugar. If their knowledge and ability could be utilized in the production of foodstuffs, the present needs of the country, as well as the sugar industry, could be at least partially met.

The Commission, consequently, suggests that the government seriously consider the desirability of enacting a law requiring each sugar *central*, including large *colonos*, to set aside an amount of land for the production of sufficient food for the workers and *colonos* dependent on the *central* and, second, to appoint and pay a full-time manager for sustenance farming. Outside the *batey*, the *central* might grant leases of sustenance land to each individual worker expressing a desire for such land, at a nominal rent, and provide such a worker with instruction. These plots might develop into holdings of "hereditary tenures" or other form of tenure. A maximum of ten acres should be sufficient to produce enough food for a family of six. Such a plot might maintain certain animals and be planted with beans, plantains, maize, *malanga*, *yucca*, Lespedeza, rice, fresh vegetables and fruits.

In the *bateyes* a somewhat different situation exists. If their families are included, the workers engaged in mechanical work, clerical activities and railway operations around the sugar mills number about 150,000. A majority of these people cannot hope to find employment in the mill during the dead season regardless of the extent to which the sugar market recovers. As in the case of the cane cutters, the *batey* workers must seek their salvation in part-time agricultural pursuits. The sugar-mill workers, however, are not agricultural but mechanical laborers, accustomed to working under a degree of supervision not readily available for an individual gardening program. Nevertheless, there is abundant land in the vicinity of each *central* on which the *batey* population could produce a large part of its food. Inasmuch as

we are dealing with a group which has no extensive agricultural experience, it might be desirable to establish, as an integral part of the *batey*, a community farm directed by the *central's* sustenance manager who would supervise the planting and cultivation of types and quantities of food needed for the *batey* population and employ *batey* workers for this purpose, primarily during the dead season. Title to the produce of the *batey* farm might be vested in a trustee for the workers of the *batey*. The experiment might be tried of paying workers in scrip issued for the purpose by the government in accordance with the number of days actually spent in the garden. This scrip might be employed by workers in purchasing articles of food produced on the community farm, even though the worker may not himself have worked in the production of each type of food. A worker spending his time in the cultivation of beans could, for example, employ government scrip in the purchase of plantains, *malanga*, or other vegetables produced by the community. Eventually the community of workers might purchase title to the farm.

Many mill managers have asserted that it is extremely difficult, if not impossible, to induce cane workers to engage in the production of foodstuffs. While we would oppose any suggestion of a *corvée*, we think that if this difficulty does exist it could be met by providing that workers taking up sustenance holdings should have preference in assignments of dead season work and cane-cutting. Moreover, free rent in the *batey* might be made dependent on the willingness of the worker to spend some time in work at the community farm. To prevent this plan from leading to a reduction in cash wages and other abuses, its supervision might be entrusted to the development commission described,² or to the Department of Agriculture. For the purpose of inspecting the food programs of the *centrales* and reconciling them with the program of government education described later, a corps of inspectors consisting of agricultural engineers might be organized by the government. Enforcement of the minimum wage laws, together with the vigilance of labor organizations, will constitute further safeguards that this plan will work for the interests of the people.

A program providing that *centrales* establish company farms for the *bateyes*, set aside individual garden plots for the cane cutters in the country and employ a food-program manager, would meet to considerable extent the immediate food problem, and keep a large number

² Cf. pp. 452-453.

of people at work who at present find nothing to do. The plan would not interfere with the production of sugar cane, since there is ample land for both sugar and non-sugar crops, and it would not impose a heavy financial burden on sugar companies. On the other hand, it would relieve them of the subsidies they have had to expend in the last few years and tend to develop a more stable and contented labor supply. It would decrease the excessive amount of suffering which exists during the dead season, and probably reduce the malingering and other symptoms of a demoralized labor force which now prevail. The development of such a program would, moreover, relieve automatically unemployment in the cities, inasmuch as relatives of families on such holdings might return to the country.

2. *Agricultural Education*

Simultaneously with the enactment of the above program, which will represent a determined effort to meet the present emergency, a system of agricultural education, to be followed more gradually by a program of public health nursing and home and community improvement, might be inaugurated. The sugar *centrales* cannot be expected to undertake a general educational program of this nature; and the government should gradually assume full responsibility for such a development. The importance of a wise educational effort in connection not only with the production of foodstuffs but with the successful establishment of agrarian reform and land colonization plans cannot be exaggerated. In the United States the patient work of hundreds of agricultural extension agents over many years has now made it possible for the American government to embark on a program of scientific agriculture. A similar process should take place in Cuba. Today government agricultural instructors are needed in nearly every rural area. Many of the graduates of the six provincial agricultural schools might adequately fill these positions. Eventually farm demonstration centers should be established but at present the ordinary houses and farms of the people will suffice. The most immediate task before the local agricultural agent will be to encourage the development of model sustenance gardens by rural families. Such a garden should be planted and cared for by families in the community who will take pride in the recognition thus given them as community demonstrators. The Department of Agriculture, or the development commission later described, could lay down a plan, out-

line the type and qualities of food to be produced for the average family, and otherwise supervise the work. Occasional demonstration meetings should be held at the garden, and the instructor should teach the people of the community the uses of the food plants in relation to a good diet. The existence of legislation requiring *centrales* to set aside land for sustenance purposes should make it possible not only for small farmers but for wage-earners to take advantage of such instruction. The development of the work of the 5-C clubs would form a fundamental part of this program. At the same time it might be desirable for each village to establish a public market to which any farmer might bring his produce for sale or exchange. In some areas of Cuba, markets have in the past constituted monopolies or charged excessive fees—a situation which should be changed.

3. *The Tropical-Tree Food Garden*

One of the greatest opportunities for agricultural education lies in the development of tropical fruits as an article of daily diet. Cuba abounds with many tropical-tree fruits, which supply important vitamins with very small outlay of human effort. These tropical trees are quick growing and fruiting, comparatively free from insect pests and plant diseases, and require less in the way of culture than the tree fruits in the north temperate zone. Few countries are better adapted to sub-tropical horticultural plants than Cuba. Nevertheless, in traveling over the island, one is struck by the lack of horticultural interest among the people. One sees thousands of farms and village homes with few if any fruit trees and little evidence of horticultural appreciation.

There is no reason why, under the direction of an agricultural instructor, every *bohío* could not plant a sustenance tree-food garden, starting, for example, with mangoes (called the king of fruits). The mango matures between June and August, produces on the average 400 fruits per large tree per season, and is high in vitamins. Such a garden should also contain the *fruta bomba*, or tree melon, which is high in vitamin content and remarkable for its powerful digestive ferment, *papaia*m, similar in action to pepsin. The avocado can also be grown easily in Cuba and has an oil content which in calory value is pound for pound higher than many staple foods, such as lean meat, milk or eggs. Every Cuban family should have an avocado tree. Other

trees which should be included in a family garden are the *sapodilla*, the custard apple (*chirimoya*), citrus fruits, plantain or cooking banana, pineapples and cocoanuts.³

A number of these trees, such as the mango and avocado, are quite easily injured by windstorms and should therefore be given hurricane protection. For this purpose the tropical-tree food garden might be surrounded by several rows of Australian pine. These trees are very rapid growers and the wood is most tenacious and flexible.

The first step to be taken by the agricultural instructor to develop the use of vitamin-producing tree foods would be to establish tree-food gardens along with the demonstration vegetable garden already discussed. At the same time the women could be taught the food value of the different fruits and how they can be utilized in conformity with the Cuban mode of life. The Commission desires to emphasize strongly the important place which these food-producing trees might play in Cuban economy. In the tropical-tree food garden Cuba has a great natural asset not found in countries to the north.

In addition to starting demonstration gardens for foodstuffs, each agricultural agent might have a program of swine production. Such a program would consist of demonstrating proper methods of cholera and other disease control, the use of hog pastures and feeds, with emphasis on nitrogenous forage mixtures, and also improvement in the breeding of native stock. Similarly, a dairy program could be worked out for the community by means of farm and village extension dairy demonstration meetings and by growing leguminous crops on which to feed milk-producing animals at the demonstration center.

Once these demonstration gardens and other projects are established at the center, the agricultural agent will undoubtedly want to work out a plan for extending such projects into the surrounding communities and thus gradually improve the methods and standard of living of the agricultural population. For this purpose the present practice of holding country fairs and giving prizes for the best agricultural products deserves encouragement. A medal or other form of recognition might be given annually by each agricultural agent in community centers to the best tropical food garden. The agricultural agent may also assist the government inspectors in inspecting the sustenance work being done by the sugar *centrales*.

³ Cuban cocoanuts are affected by certain diseases which are not yet well understood and which limit commercial coconut production, but in most cases trees can be grown in the family tree-food garden without very great danger of loss.

4. *A Plan for Community Life*

Other chapters have indicated the lack of development of the small villages and rural areas of Cuba. These areas are in need of greater opportunities for workers; they are also in need of wider knowledge with regard to family welfare, and community life and cultural development generally. The establishment of local centers devoted to improving every aspect of the life of the Cuban people is a fundamental need. This task can be performed not only by the agricultural instructor who demonstrates to the people how to grow food, but by the visiting nurse and the social worker, who should visit the homes and teach the people how to use new and better foods, improve the care of children, and grapple with baffling diseases. The improvement of habits of living is bound to be slow, and to some Cubans a proposal for government initiative in this field may sound too "idealistic." Nevertheless, we believe that energies expended in this direction will yield greater values to the people as a whole than almost any other type of reconstruction that can be contemplated.

Previously we have suggested that, as an experiment, Cuba establish twelve centers of public nursing and community life, both in the cities and in the rural districts;⁴ that for this purpose eligible Cubans be sent in the first instance to the United States for training; and that on their return they open up public health clinics where they would themselves train new nurses and social workers by means of the apprentice system. Such a plan, we believe, should be extended and correlated with that of agricultural education as well as home demonstration instruction. All three forms of activity might be coordinated through community centers established by the government throughout the villages and countryside. Such centers would gradually be staffed with three government representatives—the agricultural instructor, the visiting nurse, and the social worker, and eventually with a new type of rural school teacher.⁵

We wish to emphasize the importance of proceeding in this direction with care and deliberation. It is a common failing to embark without adequate preparation on ambitious projects calling for the expenditure of large sums. If Cuba could establish twelve or fifteen community agencies as above outlined in the first year, and then gradually extend the number to each *municipio*, a substantial begin-

⁴ Cf. p. 179.

⁵ Cf. p. 451.

ning would be made. When competent representatives become available to establish a community center, the government might proceed to erect a residence house having a large meeting room, kitchen, and space for a garden and playground. In the vicinity the agricultural instructor would maintain his demonstration garden and keep on hand farm implements, including a rice machine and blooded stock for breeding purposes, which could be loaned to neighboring farmers for a nominal sum. The public nurse and home demonstration worker would maintain clinics for the treatment of elementary ills, and demonstration classes in the proper care of children, preparation of food and general improvement of the home. The social worker would develop habits of cooperation as well as satisfy the play instinct through the development of games and other forms of recreation. Efforts should be made to stimulate artistic talent, satisfy a taste for beauty, and take advantage of national and religious holidays for cultural expression.

These representatives should live in model houses on a level within the reach of the ordinary peasant. If possible, home-made furniture and beds should be used. Many Cubans, seeing how much better these quarters are than those to which they are accustomed, might be stimulated to improve their own homes.

Gradually, as this movement wins the confidence of the countryside, people should turn more and more to the center for aid and advice. The center will then have an opportunity to give instruction not only in reading and writing but in elementary Cuban history and practical arts, which will supplement the instruction many are already receiving in the field.

When the agricultural instructor assists in solving the problem of food supply, and the public nurse and social worker arouse other wants in the people, the desire for a school will inevitably appear. One of the first community enterprises which may well be undertaken is the construction by the people of a school building of the type within their capacity to build, with suitable provisions not only for indoor instruction but out-of-door activity. When the desire for a school thus appears, a rural school teacher can be added to the community center staff. If this type of school is not to be alien to the lives of the community, the whole curriculum must grow out of local needs. Reading and arithmetic will be taught only when children realize their value in connection with the community. What the child does and learns in school should have a direct bearing on family problems and become an instrument for instructing the whole family.

For example, in the matter of food the right type of rural school will teach the children to eat what the country can produce and to produce what the people can eat. The school lunch, prepared from products of the school garden, could be very effective in changing and improving food habits. Moreover, with the knowledge derived and habits developed in school, the child may make a real contribution to the needs of his family, thus establishing a vital relationship between school and family. Understanding the importance of this type of education, many parents will see to it that their children spend a longer period in school than in the past.

So strongly is the club instinct embedded in Cuban life that it might be desirable to ask Cuban farmers to join such community centers on payment of annual dues of one dollar, or the equivalent in produce or labor. Each member would be entitled to receive the services of the agricultural instructor and public nurse, just as the members of the Spanish *quintas* in Havana already receive medical service. Membership would also make the Cubans feel that the center is a vital part of their lives and not a charity administered from above.

The capital cost for a fully developed community center might be roughly estimated as follows:

1. Residence center, cost (including water system, dairy barns, etc.)	\$5,000
2. Agricultural implements, blooded stock and other equipment	1,000
	<hr/>
	\$6,000

The chief items in the annual budget would be:

1. Agricultural instructor	\$1,000
2. Public nurse	800
3. Social worker	800
4. School teacher	800
5. Transport allowance	400
6. Supplies	500
	<hr/>
	\$4,300

The question of how this program of rural reconstruction should be directed and coordinated deserves serious attention by the government. Since this program calls for an effort on the part of numerous government departments—agriculture, sanitation, public works and education—it might be desirable to establish a liaison body, possibly called the Development Commission, which will centralize all the

activities relative to this program. Such a commission might have as members not only experts but several persons chosen because of their disinterested concern in the welfare of the people. Obviously, if any such reconstruction plan is to succeed, it must be administered honestly and without regard to political considerations.

Under the direction of the Development Commission—or a similar agency—district offices of supervision would presumably be established. The work of the public health nurses would be supervised by public health doctors at such district offices,⁶ while the work of the agricultural agents might be similarly aided by agricultural engineers.

These three measures—(1) legislation providing that a *central* set aside land and appoint a manager for sustenance purposes, (2) the establishment of a national system of government agricultural instruction on the demonstration basis, and (3) the gradual development of the community center plan—would inaugurate a program of reconstruction which, in our judgment, would meet the immediate emergency and pave the way for more fundamental measures.

The Commission was informed by many skeptics that every plan to develop independent and diversified agriculture in Cuba had proven a failure. Nevertheless, on its visits through the island the Commission was impressed by the number of *colonos* and workers who, despite imposing obstacles, have risen above their environment and improved their standard of living even on land which they did not own.

Many examples were found of simple, poor, and illiterate farmers who earn a cash income from sugar but also produce a large part of their own food and find pleasure from beautifying their homes. What is needed is a national program which will not only remove obstacles confronting those Cubans who are already attempting to improve their lot, but will stimulate a similar initiative on the part of the masses of the population.

⁶ Cf. p. 127.

CHAPTER XIX

A SOIL AND FORESTRY PROGRAM

A fundamental part of any program of reconstruction in Cuba is a soil survey which will accurately indicate the various types of soil. Once such a survey is made, it will become possible to work out a sound program of diversified agriculture and the development of independently owned small holdings. A soil survey would also assist private owners, as well as the government, in any effort to put marginal sugar lands to more productive use, and to develop a much needed forestry program.

I. *Cuban Soils*

The soils of Cuba can be grouped roughly in four main categories: (1) sugar-cane and other agricultural lands, (2) tobacco lands, (3) grazing lands, and (4) forest lands. These types depend on such characteristics as chemical and textural composition, depth to rock or impervious clay, topography and drainage. In actual practice the use of land cannot follow any absolute rules, for the simple reason that it is necessarily affected by circumstances and market conditions. For example, some tracts of high-grade cane land can be used for pasture to better advantage because of the distance of such land from a sugar mill, and low-grade cane land may be profitably cultivated when the price of sugar is high. Taking into account such exceptions, we believe that the land of Cuba can be classified into these four types.

Sugar-cane Soils. In general the better Cuban cane soils are characterized by a good supply of available plant food, good drainage, and resistance to erosion. These qualities are best found in the limestone soils, and brown and sandy clay loams widely scattered in eastern and central Cuba, the central plains of Havana and Matanzas Provinces, and elsewhere.¹

¹ Drainage involves not only surface drainage but good under-drainage to a depth of at least 12 inches below the surface. Also a total water soluble salt content not in excess of 12 per cent is found on good sugar land. The brown and black limestone soils are widely scattered in eastern and central Cuba; the red limestone soils are extensively developed on the plains of Havana and Matanzas Provinces, and in part of Camagüey; the better alluvial soils occur in narrow strips along such rivers as San Cristóbal, Agabama, Río Cauto and Guantánamo; the more productive brown clay loams and sandy clay loams are extensively developed in certain sections along the north coast of Havana, in the locality of Zaza del Medio, and in the section extending from Palma Soriano nearly to Guantánamo.

A second grade of cane land consists of flat and gently rolling heavy clay, having good drainage and a supply of lime, such as is found in the Caracas Plain. While some of these lands are approximately as good as the first-class lands, they are generally less fertile and usually require special cultural treatment. A third type of cane land consists of the deeper and lighter colored Matanzas groups.²

It should be observed that these better cane soils are also good for a number of other crops. The deep-red limestone soils (Matanzas), for example, produce both grapefruit and oranges of exceptionally good quality. They are also splendidly adapted to the production of white potatoes, beans and corn. Various useful trees grow rapidly on all of these lands, which also give good results with grasses.

Tobacco Soils. The best grade of Cuban tobacco is that produced on the red, friable sandy soils of the uplands of western Cuba. The leaf of finest aroma comes from those sandy upland types which contain up to about 35 per cent of small quartz gravel (*cascajo*).³ The lower grades of tobacco, produced very extensively for domestic consumption, are grown on practically all types of well-drained land in many localities east of the city of Santa Clara. Much of this low-grade product comes from clay soil and is of rather strong quality.

It should be added that the good tobacco soils of western Cuba, especially the sandy lands, are generally good vegetable and fairly good corn soils also, but are not especially adapted to sugar cane.

Grazing Soils. Generally, the soils of Cuba, with the exception of the very deep, loose, sandy and excessively gravelly lands of western Cuba and the Isle of Pines, the *sabanas*, and the excessively stony lands (*piedra hueca*), will produce from fair to good pasture grasses of one kind or another. There are within the broad coastal plains many extensive soils, such as the excessively stiff clay lands and the intermittently wet and dry, shallow, sandy lands, which are suited only for pasture purposes, with the possible exception of rice production on some of the more favorably situated, less salty areas. The best use

² The same type may be found in the Caracusey and Oriente groups. Cf. Hugh H. Bennett and Robert V. Allison, *The Soils of Cuba* (Washington, Tropical Plant Research Foundation, 1928).

³ A high-grade tobacco is produced also on the well-drained alluvial soils of western Cuba, formed of products washed out of the sandy uplands. Tobacco of excellent quality is grown on the deep-red soils (Matanzas) found in association with the *magotes* of the Serranía del Guaniguanico of northwestern Cuba.

Some of the very best wrapper-tobacco lands are the thin, sandy, gravelly soils of the Vuelto Abajo. These, however, call for heavy applications of manure, or carefully selected fertilizer, use of cheese cloth or other shade, and irrigation. Good filler tobacco and also, to some extent, good wrappers come from the red limestone soils (Matanzas) east of the Vuelto Abajo, in what is known as the Partito District.

for the average soil of the *sabanas* is for pasturage. While these generally are not so good for grass as the dense clays, they do afford considerable worth-while grazing and offer promising opportunity for pasture improvement, particularly through the use of Guinea grass. The heavy clays of the coastal plains, and to some extent those occurring within the broader belts of alluvium extending along streams that reach back into the interior, are splendidly adapted to Paraná grass, even where water stands for long periods after rains. This valuable pasture grass also withstands considerable salt.

Generally speaking, most of these pasture lands are very poor for cane production, and they generally have no great value for other crops, although some of them possibly can be used for sustenance purposes. They produce good trees, however, except on the *sabanas*. On the other hand, the good cane soils are nearly always good grass soils.

Timber Soils. While all the well-drained soils of Cuba are adapted to tree production of one kind or another, many areas now used for sugar cane, and to some extent for other crops, could best be used for the production of such valuable woods as mahogany and Spanish cedar. These trees will grow quite successfully on very shallow soils such as are not at all adapted to sugar cane or to most other cultivated crops, and could yield greater returns if turned into forests.

Moreover, certain areas of exceedingly dense clays on which sugar cane continues to be grown with prevailingly poor results could better be used for trees or grass. Trees valuable for structural purposes or cross ties, such as *júcaro*, *sabicu*, and *majagua*, do very well on these heavier lands.

The more sandy uplands of western Cuba and the Isle of Pines and the shallow, thin soils of the Piedmont hills surrounding the Serranía del Guaniguanico, have some value for pine. As a matter of fact, these poor lands, and also the very poor Nipe soils of eastern Cuba, have very little value except for pine trees, although some of the sandy types could be productively employed for the growth of trees like the bottle-palm, whose leaves are highly valued for covering tobacco barns.

Most of the well-drained, limestone-derived and alluvial soils of Cuba are very well suited to bamboo, a crop which possibly could be produced on plantation scale for cellulose.

General Farming Soils. The better general farming soils of Cuba correspond fairly closely with the better sugar-cane lands and need

no special discussion in this very brief summary of the prevailing soil conditions of the island.

There are, nevertheless, some fairly good general farming soils which, because of location or the abundant supply of good cane land in certain districts, can be most advantageously used for general farming purposes. If we set aside sugar-cane production as a specialized industry, which of course it is, general farming in Cuba will relate chiefly to the production of tobacco, bananas, corn, beans and livestock, together with an adequate supply of sustenance crops, such as vegetables and fruits. In other words, the term general farming, as employed in connection with agriculture in Cuba, would be somewhat out of line with the usual interpretation of general farming in the United States, in that it would more generally extend into the field of what really is specialized farming. For example, the production of pineapples and sisal in some localities might justifiably be considered as general farming, although ordinarily such enterprises are decidedly specialized. On the same grounds, trucking and the production of grapefruit might also be designated general farming in the Isle of Pines. On some of the deep-red Matanzas soils, where water for irrigation is available, the production of white potatoes during the winter months for shipment to the United States in advance of the early potato crop of Florida, while strictly a specialized type of farming, might under Cuban conditions be considered locally as a branch of general farming. In most of the instances referred to, other crops are grown, notably cane and bananas for home consumption and local markets. The matter of definition, however, is not particularly important in this connection.

Although the better cane lands generally are good for other crops, as already stated, some of the inferior cane lands, such as the shallow, droughty soils, can be successfully used in the production of staple food products, particularly beans, sweet potatoes and *malangas*. The exceedingly poor, shallow limestone soils, as those in the vicinity of the city of Matanzas, and the Francisco group of reddish limestone soils so abundant in many parts of middle and eastern Cuba, are the very best soils for sisal. Pineapples do very well on such poor cane lands as those of the Truffin group.

The soils that are not good for general farming, if we exclude trucking and fruit production and such specialized crops as sisal, are the salty lands and exceedingly stiff clays of the alluvial and coastal plains, the loose, deep sands of western Cuba, the Isle of Pines and

parts of the *sabanas*; the excessively stony lands of the Isle of Pines and various parts of Cuba, the very shallow serpentine soils, and the very droughty *sabana* soils. In some localities there are flat clay lands, not suited to any crop but rice and Paraná grass. Some of the heavy clays now used with indifferent success for cane could better be used for rice, like the Bayamo clay in the section south of Manzanillo.

Thus, from the soil point of view, the possibilities for general farming are fair to good throughout the greater part of the island.

Today, however, these soils are not being adequately employed. A much larger amount of land has in the past been set aside for sugar than can possibly be cultivated on a profitable basis during the next few years. The problem confronting Cuba is how to distinguish between first-class and inferior sugar-cane land, and to withdraw the latter from sugar production, utilizing it for other forms of agriculture, forestry or pasturage.

2. Land Utilization

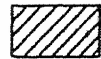
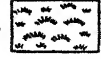
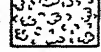
Traditionally it has been assumed that land will be put to its best use by the free play of individual initiative. Competition, however, usually ignores the principle of conservation of natural resources and tends to disregard a rapidly growing body of scientific knowledge concerning agriculture. As a result of existing maladjustments in agriculture, which have been accentuated by the world depression, leading countries are turning away from a more or less laissez faire attitude with regard to land and are adopting programs with regard to land utilization. As a starting point, agricultural economists and engineers are beginning to study the diets of people in an effort to determine what diet is best, taking into consideration the agricultural possibilities of the country. Confronted with the loss of international markets, many countries are turning to sustenance farming. If people on the land cannot for one reason or another produce largely for exchange, then it is far better for them to produce for family consumption than to live in utter want and misery.

In the temperate zone much research has recently been carried on with regard to the physiological needs of mankind and the relations of diet to health and human efficiency.⁴ In a previous chapter we have indicated our belief that the Cuban diet today is quite deficient.⁵ This

⁴ U. S. Department of Agriculture, *Diets at Four Levels of Nutritive Content and Cost*, by H. K. Stiebeling and M. M. Ward (Washington, Government Printing Office, 1933), Circular No 296.

⁵ Cf. pp. 79-81.

LEGEND

- 96.0%  CROPPED (MOSTLY CANE - PARTLY ABANDONED)
- 2.3%  PASTURE
- 1.7%  FOREST (ORIGINAL AND 2ND GROWTH)

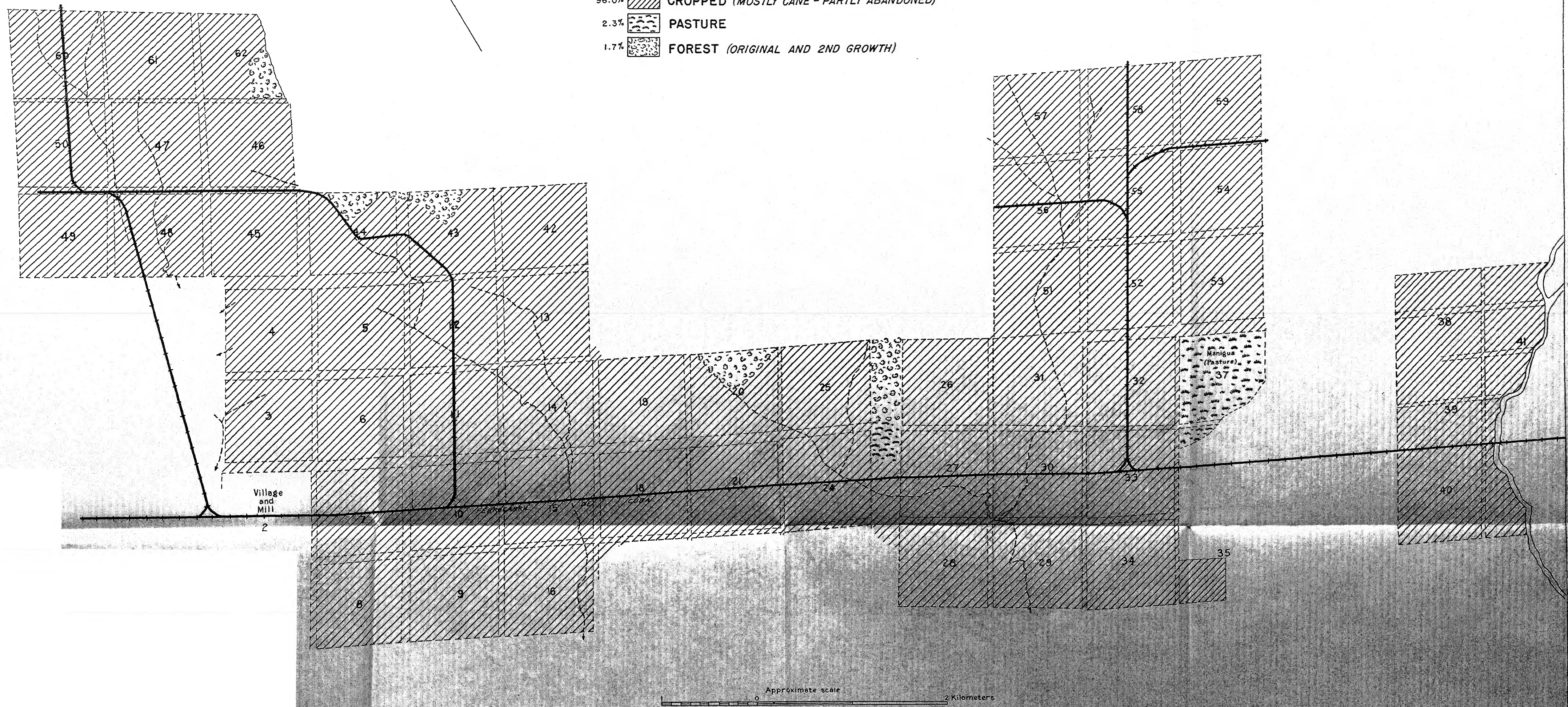


FIG. 1. THE AGRICULTURAL USE THAT HAS BEEN MADE IN THE PAST OF A 13,000 ACRE TRACT OF LAND IN CUBA

statement was advanced only in a tentative form because the statistical data concerning Cuba's diet and agricultural production are still meager. A scientific study of diet in Cuba would be of value in providing a basis for an agricultural program under which food of the type and quality needed to improve the diet of the people could be produced. Consequently we suggest that a Cuban Development Commission or some other agency should, as one of its first duties, undertake a study of the diet of the different classes and districts of Cuba, both urban and rural, and make use of such study in projecting a national agricultural plan. The Cuban government would do well to consult foreign nutrition specialists who are informed about diets in semi-tropical countries. A national campaign of educational propaganda through the community centers, the schools, the radio, the press and other agencies would assist in developing a consciousness of the desirability of improving food habits.

Similarly, a study of the possibility of developing new exports in relation to imports might be made, and its results utilized in developing a program of land utilization and diversification.

A land-use program for Cuba might consist of the following measures:

First, an accurate detailed soil survey, eventually covering the entire island, as a basis for readjustment in land use and for diversification of agriculture.

Second, the reorganization and readjustment of agriculture so as to develop as far as possible the products which can be economically produced in Cuba, stressing a family self-sufficient basis which will give the people an adequate and nutritive diet.

Third, development of forests on public and privately owned land now put to other uses, but which is better adapted to use as forests than cultivated or pasture crops.

Fourth, adjustment of land use to meet requirements for cash and export—such as sugar, tobacco, beef—so as to give the most economical production while at the same time maintaining a quality and a flow of production which will permit reasonable exports.

Fifth, development of colonization plans for independent land-owning farmers, sustenance homesteads, and cooperative sustenance food production for part-time employed laborers and wage earners.

Sixth, a program of agricultural extension, research and education which will assist Cuban farmers, particularly the younger generation,

in becoming skilled agriculturists, and build in Cuba a rising standard of living for agricultural people.

Seventh, the setting-up of institutions for cooperative marketing and cooperative financing for small farmers and landowners.

A Soil Survey

The first step in intelligent land utilization is a scientific soil and land use survey, which will provide an inventory of productive capacity and economic uses, without which a sound agricultural policy cannot be adopted. Today leading nations are carrying out extensive soil surveys. Work of this type is being done in Venezuela and Colombia. Plans are under way to complete a soil survey of Puerto Rico, which is already half finished. The Inter-American Conference on Agriculture, held under the auspices of the Pan American Union in Washington in September 1930, recommended that "the governments of the countries which form the Pan American Union effect surveys and classification of soils of their respective territories, especially of those regions where intensive agriculture is practiced . . ." It also recommended that necessary steps be taken "to obtain from the member countries as quickly as possible assurance of the establishment of soil surveys."⁶

A preliminary reconnaissance soil survey was made in Cuba in 1927 under the direction of two able soil scientists from the United States, H. H. Bennett and R. B. Allison.⁷ This survey was organized by the Tropical Plant Research Foundation and financed by the Cuban Sugar Club through a small tax on the production of its members. For reconnaissance purposes, the survey was excellent; but it was intended to serve only as a groundwork for detailed soil classification. The plan called for a second phase, consisting of an intensive survey of particular areas, as units for investigation of all types of problems having to do with the relationship of soils to plant growth. This phase was abandoned, however, as a result of the decline of sugar prices.

Valuable as is a reconnaissance survey, it cannot be utilized in planning the details of reorganized land use programs on particular areas of land. Consequently the Commission recommends that the Cuban government immediately institute a detailed soil survey pro-

⁶ Final Act of the Inter-American Conference on Agriculture, Washington, September 8-20, 1930 (Washington, Government Printing Office, 1930), p. 84.

⁷ Bennett and Allison, *The Soils of Cuba*, cited. Our discussion of Cuban soils has been based on this invaluable study.

gram to cover the island within a period which would probably extend from seven to ten years. The importance of a soil survey in relation to the readjustment of Cuban agriculture and agrarian reform is illustrated by the two maps shown in this chapter dealing with a small tract of land now in sugar cane.

The first map of the series (Fig. I) shows the agricultural use that has been made of this 13,000-acre section, and clearly indicates how cane plantings were extended in the past regardless of soil type, cane being cultivated in many cases on soil that is fundamentally unsuited for sugar. This cultivation probably would produce a profit with sugar selling at an excessive price, but cannot do so at the prices which may be expected in the predictable future. Partly as a result of this failure to make good use of soil types, a large part of this area has been abandoned.

The second map (Fig. II) shows how this land can be reorganized so as to be put to most effective use. It reaches the conclusion that only 52.4 per cent of the whole should be devoted to sugar alone, although previously about 96 per cent was thus employed; the area devoted to pasture should be increased from 2.3 to 13.6 per cent and to forestry from 1.7 to 34 per cent. Moreover, part of the land included within the first grouping is better suited for good sustenance crops, such as sweet potatoes, bananas and *malangas*, than cane. The reorganization of this plantation would not only increase the productivity of the land but relieve the *central* of the burden of maintaining an unnecessary amount of railway mileage.

This example of misjudged land use is by no means an exception to the general condition which prevails today in Cuban agriculture. During the war and the post-war boom period, millions of dollars were lost in the unprofitable extension of sugar-cane cultivation. Instances are known where a large mill was built only to find that the local soils were inadequate for cane. To keep the mill in operation it has become necessary to transport cane many miles at great expense. A thorough soil survey would constitute the best safeguard against future occurrences of such losses and, at the same time, provide an essential foundation for the development of new types of crops and production.

On the basis of such a survey the government and private enterprises could adopt a forestry program, develop the livestock industry, and establish agricultural colonies for sustenance purposes and the production of new cash crops.

Being of a highly technical nature, a detailed soil survey must be undertaken only by thoroughly competent and scientifically trained men, irrespective of their political relationships. At present Cuba has no specialized soil technologists experienced in modern survey methods. To undertake an agricultural program, including research, agricultural education, and extension work, 20 or 30 well-trained soil technologists will probably be necessary, and it is desirable to make plans for developing this group of men at once.

During the first period of the survey, lasting two or three years, eight or ten American or foreign soil surveyors might be engaged to get the survey under way, assisted by Cubans who have graduated from the schools of agriculture. At the same time it would be desirable to send at least ten Cubans with similar training to other countries for one or two years' university training in soil technology, agronomy and land utilization. As these Cubans return, they would replace the foreign surveyors, so that at the end of three years the soil survey might be entirely in the hands of Cuban technical soil experts.

During the first year a group of men would also be trained in foreign countries for the purpose of giving instruction in soil use in the provincial agricultural schools and to act as soil advisers in the extension program within their province. To keep in close touch with the survey, they would alternate between field and class room. The survey should be started in several different localities where there is the possibility of strong local cooperation and where land-owners express a willingness to reorganize the use of their lands on the basis of soil mapping. The soil survey will provide the key for all forest projects and colonization plans. The local agricultural agent will get a detailed knowledge of the soil possibilities of his district if he accompanies the surveyors during their stay in his area. The knowledge of the community will similarly be advanced by the preservation of maps of replanned land use.

In the absence of adequate land maps, the survey would be greatly facilitated if it were possible for the army air service or some other agency to make a base air survey map of the entire island, on which the soil and other conditions could be accurately placed.

Cost of the Survey

It is estimated that the entire island can be covered at an approximate cost of 5 cents per acre. On the basis of the Bennett-Allison reconnaissance work it is believed that 325 effective man-years will be re-

quired to complete a detailed survey, including the preparation of maps and reports. The complete survey of the island should cost approximately \$1,700,000 (including \$100,000 for foreign training) and would last from 8 to 10 years, roughly as follows:

ESTIMATED BUDGET FOR SOIL SURVEY		
<i>Years</i>	<i>Survey and Training</i>	<i>Publication</i>
1st and 2nd (total)	. . \$ 200,000	\$ 10,000
3rd and 4th (total)	. 300,000	20,000
5th and 6th (total) . .	500,000	30,000
7th and 8th (total) .	600,000	40,000
	<hr/> \$1,600,000	<hr/> \$100,000

3. *A Forestry Program*

It is probable that a soil and land-use survey would show that a large area of land now in sugar cane or sub-marginal farms should be returned to forests. While it is unlikely that Cuba will regain its former place as a producer of valuable hardwoods, a forestry program could undoubtedly develop the export of valuable timber, which would yield a greater profit than land now otherwise employed. Today even the demand for cigar-box wood in Havana has to be supplied in part by importation of cedar logs from New York.⁸ Cuba also needs to develop its forests in order to meet the local demand for fencing, fuel (charcoal being universally used), construction and other purposes.

A forestry program would not only eventually produce commercial returns and give added employment to workers, but would assist in preventing soil erosion and in stabilizing the effects of rainfall.

During the sugar boom of twelve years ago, enormous quantities of forest lands were cut and burned to increase sugar-cane acreage. Clearing for this and other purposes was extremely wasteful. The usual practice in clearing land for cane-cutting was to cut down the trees and, when the wood had dried, to set fire to the entire area. Although some of the hardwood was salvaged, millions of feet of good timber, such as mahogany, were abandoned. Part of the land thus cleared, being marginal in character, could produce sugar profitably only when sugar commanded a high price. A leading authority states:

"In Cuba four centuries of exploitation of her precious woods have

⁸ S. J. Record and C. D. Mell, *Timbers of Tropical America* (New Haven, Yale University Press, 1924), p. 9.

so depleted the forests of cedar and mahogany that these woods are now negligible among her exports. Except for the mountains of Pinar del Río, the forests of western Cuba have been so thoroughly destroyed that even firewood is difficult to obtain. Only in the eastern provinces, chiefly on the mountain ridges and in the less accessible lowlands, can one still find virgin timber in any quantities.”⁹

During the past two hundred years a great part of the West Indian mahogany consumed in the United States came from Cuba and Santo Domingo. A world-wide demand for Spanish cedar and mahogany has existed during the past four hundred years, and there is no good reason to believe that this demand will decrease or that satisfactory substitutes for these woods will be found.¹⁰ On the other hand, the supply of high-grade mahogany and Spanish cedar timber has been greatly reduced. While there are various species of *cedrela* in South America, Australia, and southern Asia that are practically the same as Spanish cedar, the case is different with mahogany. The only important supply of West Indian mahogany now is in Brazil and Central America, most of which is quite inaccessible. Neither African nor Philippine mahogany can serve as a satisfactory substitute for true mahogany.

Although it takes between thirty and fifty years for mahogany and Spanish cedar to mature for harvest,¹¹ the cost of producing wood in semi-tropical forests is much less than in the case of northern forests. During the first year after planting it will be necessary to keep the grass between the trees under control; but at the end of three years the trees will form a canopy, which will make it difficult for grass to grow, and thus reduce fire danger. During the first fifteen or twenty years the forests will require occasional thinning and replanting. In the western part of the island, which is susceptible to hurricanes, the Australian pine, which is so flexible that hurricanes may bend it almost to the ground, should be planted. After the forests are set up they

⁹ Tom Gill, *Tropical Forests of the Caribbean* (Baltimore, published by the Tropical Research Foundation, in cooperation with the Charles Lathrop Pack Forestry Trust, 1931), p. 159.

¹⁰ In 1927 the United States sawed into veneering lumber nearly 17,000,000 feet of mahogany, including African but not Philippine mahogany. In 1928 it consumed about 65,000,000 feet of mahogany and nearly 7,000,000 feet of Spanish cedar. Cuban mahogany has ranged in price in New York City from \$180 per thousand in 1921 to \$110 a thousand in 1932. Over the same period, Spanish cedar has ranged in price from \$80 to \$120 per thousand.

¹¹ At the Harvard Botanical Gardens at Soledad, Cuba, there are mahogany trees which grew to a height of thirty feet from February 1926 to April 1930. The best of these trees were six inches in diameter and the trunks are clean and straight. Teakwood trees reached a height of twenty-two feet between March 1928 and April 1930, and three-year-old balsam trees were 12 inches in diameter. In the Puerto Rican Forestry Observation Station there are twenty-seven-year-old mahogany and Spanish cedar trees twenty-seven inches in diameter at breast-height.

should be operated as far as possible on a sustained yield basis.¹² The cost of growing cedar and mahogany consists largely of labor charges. Both types of timber should yield a high profit to private enterprise and to the Cuban government, if they are willing to plan ahead forty years.¹³

In planning new Cuban forests, forest workers should as far as possible be settled on adjacent sustenance homesteads. Under this system perhaps one hundred days of work in the forest in the way of planting and care could be guaranteed to the occupants of these homesteads each year. They could produce their sustenance during the remaining two hundred days.

Forest research should also be conducted as to the possibilities of introducing the production of quinine and valuable gums, drugs and dyes. Such products might provide supplementary employment for forest workers living on sustenance homesteads. There is also a possibility of stocking these forests reservations with game, and selling hunting and shooting licenses. Game production as well as forest work might also furnish supplementary incomes to sustenance homestead communities.

The soil survey will doubtless show that many small isolated tracts of land are best suited for forests but are too small and scattered to be used as national forest reserves, particularly from the point of view of operation and management. Where possible, it is desirable to plant such tracts with trees to serve as private forests and community wood lots.

A number of the large sugar companies owning areas of land which may be shown to be better adapted to forest production than sugar-raising will find private reforestation worthy of consideration. Sugar *centrales* are large users of wood for fuel, post poles, railroad ties, and general construction. Several years ago a number of these

¹² It is estimated that from 15 to 25 man-days per acre are needed to establish a forest plantation. In British Honduras and Trinidad the cost of establishing such plantations ranges from \$20 to \$35 per acre. It is estimated that at the end of forty years a mahogany plantation will yield about 25,000 board feet per acre. At \$100 per thousand feet the gross return would be \$2,500 per acre. The cost of cutting mahogany and delivering it to seaport in British Honduras is from \$20 to \$25 per thousand. These are natural forests, however, located some distance from the coast. In Cuba the cost of logging mahogany will probably not exceed \$10 per thousand, if forest lands are planted near the coast.

¹³ Experimental work at the Puerto Rican Forestry Experimental Station indicates that mahogany and Spanish cedar should be planted about eight feet apart each way. Only one-fourth of the trees in the planting should be mahogany or cedar. The other trees should be native leguminous trees which force the mahogany and cedar to an upright straight growth. In time the leguminous trees will become underbrush which will not interfere with the forest growth of valuable wood. On the forest plantings in Puerto Rico there has been 70 to 95 per cent survival of the first planting.

companies were instrumental in having a study made by the Tropical Plant Research Foundation, the object of which was to develop a plan of sustained forest production and forest management on small tracts owned by sugar *centrales*. Presumably these and many other large owners would welcome the cooperation of an effective scientific forest service. The development of private forestry could be encouraged by furnishing nursery stock and technical service to private owners, and also by the adoption of tax policies favorable to forest land use.

Bureau of National Forestry

At present there is a small forestry bureau in the National Department of Agriculture. It is largely a paper organization and extremely limited in its technical staff. It has no means of enforcing the present forestry laws or developing an aggressive forest program.¹⁴

If a forestry program is to be adopted, this forestry bureau must be made effective by staffing it with well-trained tropical foresters selected on a Civil Service basis and not by political appointment. The forestry program might well be divided into four sections.

Administration of national forest area. This section would be responsible for the purchase by the government of areas shown by the soil survey to be best adapted to the development of national forests, provided tracts of such land in adequate amounts can be found.

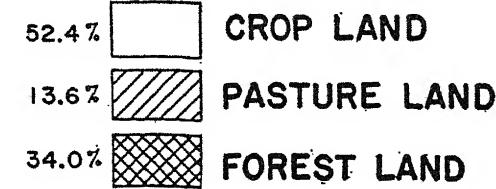
Nurseries. Forest nurseries established at strategic points in the island, probably adjacent to the provincial school of agriculture, would produce seedlings of the valuable trees for planting in the national forests and for sale or distribution to private owners at a nominal cost. The same organization could probably raise the food-tree nursery stock referred to elsewhere in this report.

Extension. A forest extension service would work largely with private owners and municipal agricultural extension agents, who would teach the principles and practices of private forestry.

National college of forestry, and research center. Already a commendable forestry school and a small experiment station have been established near Havana. The school of forestry with a faculty of three

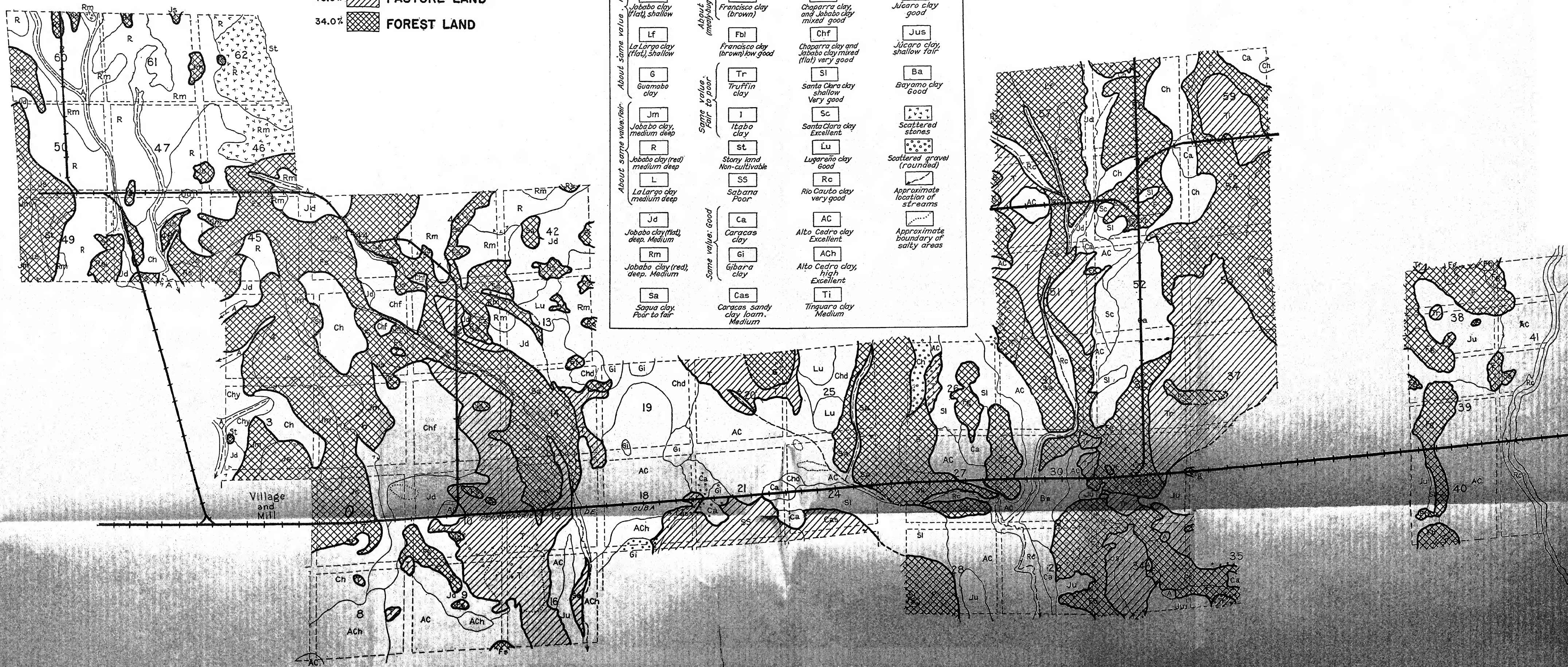
¹⁴ Cuba has detailed forest legislation, prohibiting the cutting down of trees, no matter to whom the wood belongs, without authorization. Every owner or renter of land dedicated to pasturage or cultivation must set aside at least 15 per cent of the total area for a permanent wooded area. Persons whose land is traversed by rivers, ravines, brooks, etc., where shade trees have been destroyed must annually plant quick-growing trees to a depth of 50 meters on the banks. The Secretary of Agriculture will furnish gratis trees for replanting, and will pay from 30 to 50 cents a tree thus planted. Cf. Decree-Law No. 753 of 1923, and the report of the Secretaría de Agricultura, Comercio y Trabajo, "Cartilla forestal cubana para uso de autoridades y ciudadanos" (Havana, 1927).

LEGEND



SOIL LEGEND (See Soil Survey Map)

Js Jobabo clay, shallow	Fg Francisco gravelly clay, poor	Chd Chaparra clay, deep	T Tunas clay, fair to good, according to drainage
Rs Jobabo clay (red), shallow	F Francisco clay	Chy Chaparra clay, yellow subsoil	A Alluvial soil, excellent
Fs Jobabo clay (flat), shallow	Fb Francisco clay (brown)	Ch Chaparra clay, and Jobabo clay mixed, good	Ju Jucaro clay, good
Lf La Larga clay (flat), shallow	Fbl Francisco clay (brown) low good	Chf Chaparra clay and Jobabo clay mixed (flat) very good	Jus Jucaro clay, shallow fair
G Guamabo clay	Tr Truffin clay	Sl Santa Clara clay shallow Very good	Ba Bayamo clay Good
Jm Jobabo clay, medium deep	I Itabo clay	Sc Santa Clara clay Excellent	 Scattered stones
R Jobabo clay (red) medium deep	St Stony land Non-cultivable	Lu Lugareño clay Good	 Scattered gravel (rounded)
L La Larga clay medium deep	SS Sabana Poor	Rc Rio Caute clay very good	 Approximate location of streams
Jd Jobabo clay (flat), deep, Medium	Ca Caracas clay	AC Alto Cedro clay Excellent	 Approximate boundary of salty areas
Rm Jobabo clay (red), deep, Medium	Gi Gibara clay	ACH Alto Cedro clay, high Excellent	
Sa Sagua clay, Poor to fair	Cas Caracas sandy clay loam, Medium	Ti Tinguaro clay Medium	



to five could train the foresters necessary for the administration of the Cuban forestry program and carry on the necessary research work. Forests in the United States are administered at a cost of 3 to 7 cents per acre (excluding forest protection costs). It is difficult to estimate the budget for the administration of the present forest land. It is reasonable, however, to assume that a sum of \$50,000 would take care of administration and as much reforestation as could be carried on until nurseries were established. The following sample budget is submitted.

National Forest Bureau administration and reforestation work	\$ 50,000
Land acquisition for the next two years	50,000
Nurseries, six tree nurseries at \$10,000 each. (This includes cost of land, erection of building, nursery stock, foreman, day laborers, etc.)	60,000
Forest extension service, six workers, printing, illustrative material, travel, etc.	18,000
Forestry and research center	25,000
	<hr/>
	\$203,000

4. *Diversified Livestock and Dairying*

The soil survey will also indicate where the pasture lands of Cuba may be extended. Despite the development of a Cuban cattle industry during the past few years, there is reason to believe that new breeds of cattle could be developed, more suitable for Cuban conditions and small-farm production than are the existing breeds. This belief is reinforced by the research work now being done by the United States Department of Agriculture in a coastal fringe once infested with ticks along south Florida, southern Mississippi, Louisiana and Texas. The work in this area, which approximates Cuban conditions, would indicate that new breeds of semi-tropical cattle can and should be developed, and that great possibilities exist in the Senegal, Afrikander, and Santa Gertrudis breeds.

The Senegal breed, originating on the East Coast of Africa, has already shown great adaptability to Puerto Rico and the Virgin Islands where conditions are almost identical with those in Cuba. They make excellent cattle for the small farmer. They are a mixed cream and brown color and are somewhat like the Brahman, but are not related to them. They are better than the Brahman as work animals, as they are more docile and, while good beef animals, are active and make good work oxen.

The Afrikander cattle have been developed in the Union of South Africa, under the supervision of the college of agriculture of Pretoria

University. They are very resistant to tick-borne diseases and have excellent milking qualities. It is claimed that the Afrikaner represents the best scientific breeding of any of the semi-tropical cattle; it joins in one animal disease resistance, tolerance to heat, beef and milking qualities. It is large in frame and is said to be the best work cattle in the world.

There is already considerable "Brahman blood" in Cuba. The advantage of this breed, which comes from India, is that it shows resistance to heat, parasites and disease which are common in the West Indies. Lykes Brothers, ranchers on a large scale in Texas, Florida and Cuba, claim that Brahman blood is very helpful and have become particularly enthusiastic over the use of this breed in reciprocal crosses with the Aberdeen Angus.

A new type of Brahman cattle, developed at the King ranch in south Texas, also could possibly be used to great advantage in Cuba. It is a cross possessing approximately $\frac{3}{8}$ Brahman and $\frac{5}{8}$ Shorthorn blood. The cattle are called Santa Gertrudis. They are a beautiful dark red cattle, the largest type in the United States. They have extremely high beef-producing characteristics, are excellent milkers and far superior to the native Cuban cattle.

There are two reasons why production of farm animals in Cuba should be encouraged. The first is to provide an ample supply of animal foods for the people. Throughout the world, farm animal production has been associated with individual farm proprietorship. Every Cuban homestead and small farm should have some livestock. The second reason for producing new farm animals is to provide the cities of Cuba with meat and develop the export trade, thus producing new sources of cash income.

With the control of animal parasites and the development of proper nitrogenous feed there is reason to believe that Cuba may produce a type of beef animal which will compete with most of the high-grade export beef in the world and thus find its way into international commerce. Adjustments in agriculture throughout the world have tended somewhat to liquidate the beef supply of the exporting nations, and, should economic recovery in Europe take place, or the purchasing power in the beef-importing nations increase, it is not improbable that first-class Cuban beef will be accepted on a par with beef from other countries.

Livestock farm economy has not developed in the tropical regions, primarily because of lack of control of animal parasites and infectious

diseases, lack of nitrogenous and fattening feed crops which are produced only under crop rotation and in fenced pastures, lack of local refrigeration and knowledge as to the care and management of livestock.

Cuba has already made some progress in overcoming these obstacles, but much more remains to be done not only by developing new breeds but by inaugurating a livestock sanitation program to bring cattle ticks and tick fever under control. Cuban farmers also frequently complain of the ravages of hog cholera. They are denied the use of hog cholera serum by legislation providing that such serum can be administered only by registered veterinarians. The new trade agreement with the United States does not injure the maintenance of hogs by small farmers for sustenance purposes, but this practice is definitely injured by denying the use of serum to individual farmers. We believe that this restriction should be modified, and that a hog cholera serum plant should be established. Cholera serum manufacture and distribution should, if necessary, be subsidized by the central government. Moreover, in order to improve the protein, calcium and other elements in the livestock feeds of Cuba, research work is needed to develop new leguminous pasture and forage plants which will fit in with a small farm and sustenance homestead economy. Cuba has done little so far to test out semi-tropical grasses found in other parts of the world. While alfalfa and clover are not adapted to Cuba, there is much promise in leguminous plants, such as *Lespedeza* and the *Crotalarias*.

If it desires to develop a diversified livestock economy, including a dairying program, the Cuban government will establish a strong bureau of animal industry and livestock sanitation. It will also establish a cattle experiment station and breeding grounds which will test out and develop adapted strains of cattle and arrange for the distribution of breeding stock to the various agricultural agents. The experiment station will carry out a program of research devoted to the improvement of forage crops. Fundamentally, however, the success of the livestock program, as well as the agricultural program, depends on the educational work of the agricultural agents as directed from the national capital. It might be desirable to employ four national dairy specialists to work with these agents in developing a program of family sustenance and commercial dairying adapted to local needs. Toward this end each local agricultural agent might make a survey of the number of milk cows and milk goats desired and of the sanitary conditions in the community, and also lay out demonstration

pastures on which leguminous crops may be grown. Dairy extension meetings could be held periodically, and the public nurse and social worker should teach families the value and use of milk in home economy. Four specialists might also be named by the national government to work out a similar program for swine production, again using the agricultural agent as instructor. The local agent could administer hog cholera serum and other animal medicines, and interest local farmers in their use. Gradually, a system of refrigeration might be developed and a cooperative method for distributing milk adopted.

5. *Diversified Agriculture and Industry*

In addition to developing forestry and livestock, Cuba has an opportunity to develop diversified agriculture. Some progress has already been made in this direction. As we have indicated in the previous chapter, the most immediate prospect of success lies in the development of home used foodstuffs. The new trade agreement with the United States encourages the export of fresh vegetables and fruits for off-season production and also tropical fruits, such as *fruta bomba* and pineapples, which find no competitors in temperate climates. Students of rice culture believe that a considerable quantity of rice can be raised in countries such as Cuba, not as a commercial crop except under particularly favorable conditions, but as part of a program of securing greater food production by rural families. Upland rice is now being grown in all parts of Cuba where corn is grown, and there is no reason why such rice should not be produced for family consumption like corn. To stimulate the sustenance production of rice a national rice agronomist might be employed who would establish variety and cultural testing and demonstration fields on different types of soil. Several rice agronomists should be employed to work with local agricultural agents in assisting in the planting of rice in demonstration plots. In a few cases experiments might be conducted with portable threshers, and the construction of vermin-proof storages to which the poorest family would have access. Whether an effort should be made to go further and attempt to produce rice for the commercial market is a matter for serious investigation. Despite the heavy duties and consumption taxes now imposed on imported rice, millions of pounds are still being imported, so that the chief effect of such taxes has been to increase the cost of living. This whole question

should be studied seriously before the government encourages a policy of producing more rice for the commercial market.

To determine what non-sugar crops can best be produced, the same general procedure suggested in the case of forestry and dairying is needed. The establishment of agricultural experiment stations, attached to each provincial agricultural school, would make it possible to apply the scientific knowledge derived from the soil survey to the production of new crops. The results derived from such experimentation could be transmitted throughout the country by means of the educational system already described. To make certain, however, that this fresh approach to Cuba's agricultural problems will result in widespread social benefits, further measures are necessary which will be the subject of the next chapter.

CHAPTER XX

LAND COLONIZATION AND DIVERSIFICATION

A number of the political parties in Cuba today demand the enactment of a program of agrarian reform, and we fully sympathize with this demand. By making use of the knowledge derived from the soil survey and from agricultural research described in Chapter XIX, a program of agrarian reform can be intelligently carried out. A land policy in Cuba might have the following objectives: (1) the development of a greater number of independent, small-scale *colonos* in sugar, coffee, and other crops; (2) the establishment of secure sustenance homesteads for workers earning a cash income during a few months of the year in sugar, or other established cash-paying industries; (3) the creation of agricultural colonies for the dual purpose of producing (a) food for family consumption and (b) new cash crops.

This report has already indicated that ample land exists for the production of sugar, tobacco and cattle, as well as for the purpose of small farm colonization. The chief difficulty is, however, that with the exception of inferior land, such as that found in the Zapata swamp and the Maestra mountains, most of this land is in private hands. What means should the state employ to acquire control of land of a quantity and quality adequate for colonization purposes?

1. *A Land Policy*

A proposal advocated by Communists is outright confiscation by the government. Apart from legal considerations, the Commission sees serious objections to this method of procedure. The analogy of what has taken place in Russia and other European countries is not fully applicable to Cuba. In Europe a numerous peasant class, closely tied to particular plots of land for centuries, has usually existed. But this is not the case in Cuba. In the vast majority of cases sugar *centrales* have paid hard cash for their land, often paying in excess of what the land has afterward proved to be worth. This situation creates equities which cannot be ignored. Fear of land confiscation, more-

over, inevitably creates opposition on the part of Cuban land-owners and large corporations to any suggestion of agrarian reform. We have indicated our belief that it is important to enlist the cooperation of these interests, particularly in a program of immediate relief; consequently a system of land reform should be adopted which is orderly and equitable, which will not needlessly antagonize such interests, and which would not cause a further psychological shock to the sugar industry.

A program of land colonization would yield more fruitful results, in our opinion, if the Cuban government made use of the following methods for acquiring land:

1. Voluntary cession by private owners.
2. Judicial action to recover land illegally held.
3. Obligatory sale, payment being made partly in cash and partly by means of internal bonds.
4. The imposition of a tax on unused land.

Voluntary Cession

Once the soil survey is completed and demonstrates that certain land is unsuited for sugar, we believe that many owners will voluntarily cede a portion of such land to the government for colonization purposes, provided they are assured that the land needed for sugar will remain unimpaired and that they will be allowed to set off the appraised value of the land ceded against their taxes.¹ Under such circumstances, voluntary cession may become a form of sale. We repeat that every effort should be made to enlist the voluntary cooperation of private enterprise in a program of agrarian reform.

Judicial Action

Some students of land tenure assert that during the Ten Years' War and throughout the period between 1879 and 1895, numerous land frauds were committed in Cuba at the expense of the state, and that following the Spanish-American War, thousands of *caballerías* of land owned by the state in the Province of Oriente passed illegally into the hands of private individuals. A recent government report states that in many instances individuals and corporations have taken land belonging to the state and induced local officials to assess a tax on such land. This tax would be paid to the Municipal Council for a period of years, and on the basis of such tax payments the person com-

¹ Mr. Jenks does not believe that this proposed set-off is necessary.

mitting the fraud would ask the appropriate judge to give title of possession. The individual would then take this title to the tax office of the central government, pay certain taxes, and proceed to register the land as his own. By such means a new farm could be obtained "without prejudice to a third party." Many government officials, it is alleged, connived at such practices and allowed individuals thus to acquire land which belonged to the state.²

Although foreign corporations purchased land from private individuals in good faith, believing that the title was sound, it is possible that in some cases, particularly in Oriente Province, they acquired land with defective origin. In a number of instances the government has brought action on this ground and has attempted to upset land titles. Critics declare that some of these cases have been inspired by political hostility to foreign enterprise, and that no basis for the suit exists. These are highly technical legal questions, involving, moreover, the question of prescriptive rights, on which we cannot attempt to pass judgment. Nevertheless, the belief is so widespread that some of the best land in Cuba is now illegally owned that it might be desirable for the government to study these questions and to bring court action if investigation justifies such a course. It is possible that by such means the government may acquire land useful for colonization purposes.

Obligatory Sale

Admittedly a government has the power of eminent domain under which it can take private property for public purposes in return for compensation. As we have repeatedly indicated, no project is more affected with a public interest in Cuba than a program of rural reconstruction. We believe, therefore, that the government should exercise the power of eminent domain if necessary to acquire land for colonization purposes. This land should be paid for along the lines suggested below, and no land should be expropriated which is needed for sugar except for the purpose of giving title to *colonos*.³ The exercise of the power of eminent domain or obligatory purchase should,

² Cf. *Ponencia de la comisión de colonización y reparto de tierras, 1934*. Also Celorio, *Haciendas comuneras*, cited, p. 212 ff. Recently the charge was made that "land-hogs" (*geólagos*) were attempting to deprive certain peasant families of land which they had occupied since 1868. For this instance and for a general attack against foreign methods of acquiring land in Cuba, cf. the manifesto published by the Oriente Province Committee of the Partido Revolucionario Cubano, *Ahora*, September 23, 1934.

³ Cf. p. 476. The reasons why we do not believe that the government itself should now enter the sugar business are mentioned on pp. 230, 303.

moreover, await the findings of the soil survey, for it is only by means of such a survey that the government may determine what land is best suited for particular types of colonization.

In taking non-sugar land from private owners for colonization purposes, the government might make compensation in two forms. For half of the value of the land taken the government might give the owner internal government bonds paying interest, say, at 3 per cent. For the remainder it might agree to turn over to the owner half the sums subsequently received by the government in instalment payments from small settlers entering the colonization plan. The quantity of internal bonds given by the government to the private owner might be increased to the point necessary to compensate the owner for the loss of interest incurred in waiting for these cash payments. In view of the vast amount of uncultivated land held by private owners, which in the past has been untaxed, we doubt whether the Cuban government should go further in making cash compensation than in the plan here proposed. Government bonds regularly bearing 3 per cent interest would provide a more certain source of income than uncultivated land yielding nothing. As far as many individual owners are concerned, an interest-paying bond would prove more valuable than payment of a capital sum in cash which might be quickly and unproductively expended.

The value of uncultivated land in Cuba today is quite low, in many cases less than \$10 an acre. Should the government announce a program of agrarian reform, the value of private land would probably increase at once. If negotiations between the government and private owners cannot result in agreement as to the value of the land to be taken, the question should be referred for decision to a land court, composed of three members familiar with land questions. This court should approve all obligatory sales, and it might also be given jurisdiction over all appeals from private owners in any question affecting the land colonization program. This tribunal would serve to prevent administrative abuse.

Imposition of a Tax on Uncultivated Land

At present Cuba has no tax on uncultivated land, a striking defect in a country dominated by large holdings. In a previous chapter we have advanced considerations in favor of a national land tax, after a careful and scientific assessment of the land. As a provisional measure,

moreover, it might be desirable to impose immediately a small tax on land not used in the production of any crop. We believe that this tax can be administered with the simplicity of an ordinary head tax, that it would yield revenue amounting possibly to more than \$1,000,000 a year, and that it would encourage landowners to cooperate with the government in its colonization program, or to utilize the land for forestry or other purposes. Without passing judgment on the principle of a progressive land tax, we have reached the conclusion that such a tax would be difficult to apply under present conditions in Cuba, and that it might be evaded by the creation of dummy holding companies and other means. For the time being, therefore, a small land tax, say of 10 cents an acre, might be levied on all uncultivated land. There should be exempted from this tax all land on which private individuals have set out reforestation projects, and all colonization projects. Moreover, the appraised value of any land which the owner voluntarily cedes to the government⁴ should be credited against this land tax.

By a combination of these different methods, the government could, in our opinion, gradually acquire all the land needed for a rural reconstruction and colonization program, without at the same time disrupting the sugar industry. We reiterate that legislation should make it clear that no land actually needed in the operations of established industries, such as sugar or tobacco, should be taken by the government for colonization purposes.

2. *A Colonization Plan*

One object of colonization should be the development of independent small-scale *colonos* in sugar, coffee and other crops. At present 75 per cent of the sugar cane is cut by *colonos* and a large proportion of coffee is similarly produced. Only a minority of the *colonos*, however, own any land. The practice is to rent the land from the sugar *central* or other owners. The government would do well to encourage the acquisition of land by *colonos*, because it is through ownership that the *colono* can best gain the security of status which will provide him with a sufficient incentive to improve his standard of living and diversify his crops. Toward this end legislation might be enacted providing that any *colono* wishing to buy a given piece of land could make a declaration to this effect before a local tribunal. The tribunal

⁴ For Mr. Jenks' reservations, cf. p. 473, footnote 1.

would transmit this declaration to the Development Commission, in the event that it is established, or to the Department of Agriculture. A representative of one of these agencies would attempt to negotiate purchase of the land from the owner. Legislation might provide that the *colono* could purchase such land from the owner on the basis of thirty-three annual instalments, in accordance with a contract guaranteed by the government. Should the government and the owner fail to reach agreement on the question whether the sale should take place or regarding the amount of the purchase price, the land court described above could have the power to order such sale and to fix the value at which the land should be sold.⁵ It is desirable that legislation definitely limit the amount of land which a *colono* might thus acquire, probably to two *caballerias*. From the social point of view it is unwise to increase the number of large-scale *colonos* who act only as middlemen and employ cane-cutters on the same basis as the *central*.⁶

Some sugar interests who favor the *colono* system nevertheless oppose suggestions that *colonos* actually own land. It is pointed out that an important reason why in the past a *central* would expend large sums in the purchase of land was to protect its cane zone and prevent near-by *colonos* from selling cane at a higher price to a competing *central*. The fear is expressed that this danger would again

⁵ Mr. Buell believes that the development of independent *colonos* should be encouraged by the imposition of a surtax, say of one cent a bag, on all sugar produced by administration cane or controlled *colonos*. In view of the careful records now kept, this tax should not be difficult to administer. In the absence of such a tax, it will be virtually impossible to establish the *colono* system on sugar estates now operated on an administration basis, and thus unjustly discriminate against mills now following the *colono* system.

Mr. Zimmerman makes this reservation: "Any mandatory legislation concerning the right to purchase a given piece of land would lead in the long run to so many malpractices that the sugar industry would be badly handicapped. Cuba can continue to pay its relatively higher wages on the condition that its sugar industry remain exceedingly efficient. Moreover, such legislation might easily become an instrument of blackmail. The assumption that one form of production is preferable (*colono* vs. administration) confuses the issue. The problem is economic efficiency. It is not clear as to which is the more efficient, *colono* or administration cane, so that any one solution cannot be pointed out. The probability is that in some *centrales* administration cane is more efficient, and in others, *colono* cane.

"Improvements in social conditions in Cuba should come about as far as humanly possible without interference with the working of laissez faire economics in the interior rationalization of the sugar, tobacco and other export industries. The aim is to preserve or to secure as high a money income as possible for the Cuban worker and to make social adaptations in those phases of life which will not interfere any more than necessary with the interior organization of sugar production.

"It is, moreover, unwise to lay down clear-cut conditions concerning the establishment of government leases for new sustenance farms. The securing of a good income for Cuban farmers and rural dwellers is the objective of any agrarian reform. If it can be worked out chiefly through the existing estates which already give a cash income that is sufficient. Any theoretical scheme for the reorganization of the whole economy is a matter upon which I do not wish to pass judgment. The problem of the Cuban is production, not systematic organization."

⁶ Mr. Jenks makes a reservation, expressing the belief that there is a place in the Cuban economy for medium-sized *colonos*, as an outlet for the business energies of Cubans of small, independent capital resources.

appear should a large number of *colonos* acquire the independence which arises out of full ownership of property. From the point of view of the *colono*, much may be said for the principle of competition between *centrales* for *colono* cane. But assuming that under a controlled market such competition may prove injurious to all concerned, we do not believe that the prospect of unrestricted competition among *centrales* over cane zones is nearly as great today under the quota system as when the crop was free. The operation of the present quota system tends to protect existing cane zones, regardless of whether *colonos* within such zones own or merely lease land. On the other hand, if government legislation lays down definite norms in *colono* contracts insuring *colonos* fair payment and treatment by *centrales*, a government plan providing for *colono* landownership might also contain provisions definitely protecting existing cane zones.

A second object of colonization is to create sustenance homesteads consisting of individual plots for the several hundred thousand agricultural workers already receiving a cash income during a few months of the year from sugar, tobacco and other established enterprises. In a previous chapter we have outlined an immediate program under which sugar workers might obtain nominal leases and secure immediate assistance in sustenance farming from the *central*.⁷

Assuming that the *centrales* carry out this program, the object of a government plan would be to develop the sustenance communities thus tentatively inaugurated into permanent and secure colonies. By making use of one of the means of acquiring title previously described, the government might gradually convert the leases held by the workers from the *central* into permanent titles, under which the worker may gradually acquire ownership. The *central* owner might be willing to cede his title to the government if, in return, he could count on the *colonia* as a secure source of labor supply. If voluntary cession were not possible, the government might resort to a form of obligatory purchase described above, paying the *central* in internal bonds and in cash. On the other hand, the government may decide that in certain areas security can be achieved by working out with the company a system of perpetual, or lifelong leases, capable of being inherited by an heir living on the property. Along with this development, the government would create in the heart of each of these sustenance colonies a center of community life, revolving around the work of the local agricultural agent. Once a colony is established the

⁷ Cf. p. 445.

jurisdiction of the food manager of the *central*, described previously, would be withdrawn; and the full responsibility for the settlement, including sustenance activities as well as housing, should rest with the government. At the same time, government and private capital will find it mutually desirable to cooperate fully in correlating the sustenance programs within the colony with production programs of the sugar and other industries.

In the comparatively well-populated western provinces it might be possible to establish enough *colonias* on sugar properties recruited from the unemployed in cities and small towns so that workers need spend only four hours a day in cane-cutting and other field operations, devoting the remainder of the day to their own *fincas*. An effort might also be made to move unemployed families in the west to colonies in the eastern provinces where there is still scarcity of labor supply. The colonization units of the United Fruit Company at Preston demonstrate that this form of settlement is not only practical but desirable for both worker and employer, although the plan is defective in that it fails to provide colonists with security of tenure.

A second type of agricultural colony may be established in virgin areas where inhabitants are not already settled or where it is necessary to create not only sustenance farming but cash crops. These colonies might consist of general farms as large as two or three *caballerías*. The settlers placed on such farms should when possible have had previous agricultural experience; they might be *colonos* who have been forced for one reason or another to surrender their land. Wherever possible these general farmers should be selected from those who have a little capital with which to start. Farms of this type would be large enough to raise food as well as products for sale, such as livestock and fresh vegetables, according to the demands of the market and the recommendations of government agencies.

A final type of agricultural colony might consist of smaller farms settled by workers, some of whom may have been unemployed in the cities. These farms might be established adjacent to villages and cities and some plan developed to provide part-time cash employment for such workers. For a time at least these colonies of inexperienced farmers might be operated by government agencies as a community farm similar to the plan worked out above for the *batey*. Obviously these general suggestions can be worked out in detail only when the proper machinery of reconstruction is established.

When possible the colonies should be linked up to the Central

Highway, or to an important railway center or port by good lateral roads. In place of the traditional company store the needs of such colonies might be served by storekeepers licensed by the government, or by agencies of the marketing organization established by government initiative as an integral part of the community center unit.⁸ These developments should not be prematurely forced, but if the community center plan succeeds in arousing the enthusiasm and enlisting the loyalty of the *guajiro*, it may logically expand in a thousand different directions.

The remaining question to be decided is the type of individual title to be given the settlers in these colonization areas, and how the title should be acquired. In cases where the government starts community farms, as for workers living in cities, title to the farm would vest in the government. In cases where individual plots are established, a form of individual title and purchase plan should be devised. It would be unwise for the government to subdivide land acquired by it from private owners, and give it to settlers without asking any payment in return. It would also be unwise to give full title to these settlers which would make it possible for them to alienate their land or not use it properly. In a recent plan for land colonization drafted by the Cuban Department of Agriculture,⁹ a settler in an agricultural colony would be given an opportunity to purchase title by means of eighteen annual payments, or a capital sum not exceeding \$1,500. In our opinion these terms might be adequate for the larger type of farms above discussed, but would be extremely burdensome in the case of sustenance workers deriving a cash income from sugar or tobacco. In the case of such workers, the government might sell the land at a much more moderate sum, while in the case of the larger colonization units the annual payment might be greater but extended over a period of, say, thirty-three years. We do not believe that it would be equitable to assess annual purchase payments for land much in excess of the rent normally paid by *colonos*. We further believe that it is only fair that, in the case of land acquired by the government, either by voluntary cession or eminent domain, the government should return to the former owner half of the annual payments made by the settler.

Under the agricultural plan recently drafted by the Cuban Department of Agriculture, settlers would acquire land in an agricultural

⁸ Cf. pp. 450, 485.

⁹ Cf. *Ponencia*, cited.

colony on condition that the property is inalienable, and that not more than five hectares may be inherited by any one person. The settler would also sign a contract in which he would promise to reside on the property and to work with his hands. No owner could possess more than one such property. He would be obliged to follow the instructions of the technical official regarding the kind of seed to be sown, and the government might require that half of his area be planted with any product deemed necessary for exportation or internal consumption. Many of these principles seem sound and should be considered in a plan for agricultural colonization.

To insure success the government should proceed slowly and carefully with its program of agrarian reform. A land colony cannot be established on a sound basis until after the soil survey has demonstrated the possibilities of the land, and after the government has established the necessary machinery of supervision and technical assistance. This does not mean the postponement of the establishment of colonies until the final completion of the soil survey at the end of eight years. It does mean that as soon as a soil survey of a given *municipio* is completed the agricultural engineers should determine what kind of crops might be produced in that area, and also whether a market for such crops can be found. As an experiment during the first year, five agricultural colonies having a total of 500 individual homesteads might be established. These homesteads might be erected at an expense of \$1,000 each or less. On the basis of this early experience, the plan could be extended in the future.

To summarize, a permanent program of agrarian reconstruction could have the following aims: (1) the establishment of community farms attached to the *batey* under which the ownership of the land remains vested in the *central*, but the produce is owned by the community of workers; (2) the encouragement of independent *colonos* by means of an obligatory purchase system carried out under government intervention; (3) individual sustenance homesteads for workers in established pursuits, whether agricultural or industrial, organized in communities having the community center as their basis and buying their land from the government on a moderate instalment plan; (4) colonies for the production by individual settlers of food and new cash crops; (5) community farms for the industrially unemployed or partially employed.

By means of such a program, land unsuited for sugar production

might be gradually withdrawn and devoted to other types of productive effort. When the soil analysis has been made, and arrangements for caring for the necessities of any displaced workers are worked out, it will be opportune to consider which sugar mills are least efficient and may be withdrawn from production. When this time arrives Cuba may discover that its average costs of production have been so reduced that all of the *centrales* may find it possible to operate within the limits of present production controls, and even that such controls may be gradually withdrawn without imperiling the social welfare of the community.

Cost of the Plan

The establishment of this program will obviously impose a burden on the government budget. We believe that if the government is strong enough to reduce military expenditures, completely suppress *botellas*, and establish a rigorous accounting system, several million dollars may be saved in the existing budget. It is probable also that government revenues will increase generally when a measure of economic recovery takes place. By the adoption, moreover, of the dollar exchange currency system, the tax on uncultivated land, and a small progressive export tax on sugar, new sources of revenue may be tapped.

While the Commission recognizes the importance of restoring Cuba's credit and resuming debt payments, it does not believe that the inauguration of a reconstruction program should await resumption of amortization payments.¹⁰ The condition of misery in Cuba is so widespread that no government having the interest of its people at heart can delay ministering to these needs until after it has resumed such payments. From the point of view of private enterprise and the government, the adoption of a colonization program similar to that here presented is the best guarantee of future stability. This program will remove the grave social and political dangers inherent in a situation under which the mass of the country population can find steady employment only several months during the year. From the point of

¹⁰ Much the same view was endorsed by the Monetary and Economic Commission of the London Economic Conference, which declared: "As regards State loans, it is in the interest of the creditors themselves to conclude arrangements of such a nature as will permit the adoption at the same time of a programme of economic and financial restoration by the debtor countries and its effective application."

Mr. Zimmerman makes a reservation: "I hold that no public body has the moral right to recommend any such program. We cannot continue to have the economic values of capitalistic production and at the same time publicly assault its fundamental *mores*."

view of the people, the government, and private enterprise, a colonization program and agrarian reform is of fundamental importance.

3. *New Industries*

The energies of the government and private enterprise should be devoted in the future to the diversification of agriculture, for the purpose of meeting the immediate needs of the Cuban people, particularly during the dead season, and secondarily to develop new commercial crops. The same considerations should dominate dairy policy. In addition we believe that it may be possible for private enterprise or the government to develop certain industrial and mineral products, at least to a limited degree.¹¹

Many suggestions were made to the Commission in regard to the development of new domestic manufactures. Thus the use of molasses in the production of alcohol for motor fuel is advocated as a means of stabilizing the sugar industry, providing a substitute for at least a certain proportion of fuel imports, and possibly providing a new export. The production of alcohol for motor fuel in Cuba has increased from 25,000 gallons in 1930 to 2,925,000 gallons in 1933. On several occasions Cubans have proposed the enactment of legislation making obligatory the blending of alcohol with gasoline.¹² A large number of countries throughout the world have enacted such legislation with, on the whole, successful results.¹³ On the other hand, the use of alcohol, according to some critics, decreases the mileage obtained from a gallon of motor fuel and corrodes the cylinder of internal combustion engines. The particular difficulty in Cuba, however, is that so long as molasses retains its present price level, it is more profitable to export the molasses than to convert it into alcohol. While it may be possible to increase the production of molasses, it should be remembered that the Cuban government now derives a comparatively large revenue in the form of import duties and internal taxes from gasoline, which would presumably be lost with the substi-

¹¹ Apparently no thorough geological survey has been made since the first American occupation. Cf. *Informe sobre un reconocimiento geológico de Cuba*, practicado por disposición del General Leonard Wood por C. Willard Hayes, T. Wayland Vaughan, y Arthur C. Spencer, Geólogos, 1901. Translated from the English and reprinted by the Dirección de Montes y Minas, Secretaría de Agricultura, Comercio y Trabajo (Havana, 1925). In framing new mining legislation, care should be taken not to give a single group any monopoly of the right of prospecting, and reserving adequate royalties to the state.

¹² Juan Maspons Franco, *La reorganización de la industria alcoholera y reforma del sistema tributario de los impuestos de empréstito de \$35,000.00* (Havana, March 15, 1932). Cf. the discussion at the Havana Rotary Club, as reported in the *Diario de la Marina*, August 3, 1934.

¹³ *Use of Alcohol from Farm Products in Motor Fuel*, Senate Document No. 57, 73rd Congress, 1st Session.

tution of domestic alcohol. It is therefore possible greatly to exaggerate the returns from this alcohol development; nevertheless, we believe that the proposal is deserving of careful study.

A pressing need in Cuba is improved housing and furnishings particularly in the rural districts. A study under government auspices of housing requirements, of appropriate and economical materials, and of sound construction technique, together with provision for education of the population in the results obtained, might well enable the people to have greatly improved housing at little if any increase in cost. A similar study of furniture, adapted to the climatic conditions of Cuba, well-designed and inexpensive, could do much to stimulate the sale and ameliorate the dearth of such equipment.

Tourists

A quasi-export industry of great past and potential importance is the provision of services to tourists. The successful prosecution of this industry depends upon concerted efforts which can be well rendered only under governmental direction. The preparation of attractive itineraries and programs for tourists; the establishment of an active tourist service bureau; the provision of inexpensive and typical entertainment for all categories of visitors; pageants, carnivals, regattas, excursions to points of historic interest; these are forms within which business might be developed. At present the majority of tourists limit their visit to Havana; if adequate transport and hotel facilities were promoted many tourists could also be attracted to the bathing beach of Varadero, to the medicinal waters found in the Trinidad mountains, as well as to numerous points in Oriente Province which should hold some historic interest in view of the battles fought in this province during the Spanish-American War. Shameless exploitation of tourists by irresponsible individuals should, so far as possible, be prevented, and a free aid and information service easily brought to the attention of the visitor, who must come by ship or plane, would almost certainly repay its cost many times over. Fundamentally the development of the tourist traffic depends on the restoration of political peace and public order.

It is easy for enthusiastic promoters and officials to rush into new agricultural, mining and industrial ventures without adequately studying the possibilities of production on the one hand or marketing on the other. Consequently, the chief result of their efforts is to waste capi-

tal and create widespread disillusionment. Moreover, it is impossible for a general investigation, limited only to a few months, such as that undertaken by the present Commission, to do more than indicate the general lines of possible development. What is important is to place the whole reconstruction and diversification program under a centralized agency, which should serve as a liaison between existing government departments and carry out or supervise the execution of the interrelated functions of research, administration and education. For this purpose we have suggested the establishment of a Development Commission, in a previous chapter, to take charge of the program of community centers and land colonization. We shall briefly outline other tasks which the Development Commission should undertake in at least a supervisory capacity.

We have already mentioned the importance of research in relation to the successful inauguration of a program of agricultural diversification, dairying and forestry. Such research could be carried on in the existing schools of agriculture and forestry and in the other agencies previously mentioned. Similarly it is desirable to establish a research agency in the diversification of new industries and the study of new markets, as part of the marketing organization mentioned below.

4. *Marketing Organization*

The production of agricultural commodities or the development of domestic industries, except for immediate sustenance purposes, is likely to be unprofitable unless the producer is provided with an adequate marketing service. Under the Machado régime the cattle industry was handicapped by the so-called Meat Trust in Havana. At present fresh vegetables are shipped from Güines to New York on a consignment basis, without the Cuban shipper knowing the state of the New York market. In numerous instances such transactions yield only heavy losses. Similarly the coffee industry is handicapped not only by a system of medieval financing, but by the absence of any system of standardization. In Palma Soriano growers have organized a cooperative society called the *Bloc Agrícola*, which hulls the coffee of its members and markets other farm produce, but the enterprise is still weak. If coffee is to yield the best possible return, some means of improving not only the financing but marketing of the crop must be found.

A single selling agency, able to divert products from glutted to

sparsely supplied centers of consumption, to store non-perishable crops over the period of congestion of supply, to offer premiums for superior quality, to provide adequate transport, and to make financial arrangements for growers, is of the utmost importance to a program of diversification. Lacking such a service the small producer may be forced into overcrowded lines at the instance of creditors who are more interested in a ready market for the crops on which they hold liens than in the net returns to the grower. If the latter is unable to withstand this pressure he may be compelled to sell, under distress conditions, to those whose interest leads them to depress the prices paid to producers as much as possible. In any event the individual sale of a small output must, in the absence of organization, involve great wastes in marketing, the cost of which inevitably falls on the primary producer.

In theory, the function of marketing should be performed by co-operative associations, spontaneously formed by local producers. But the development of such cooperatives involves a discouraging struggle, even in the most highly developed countries; and for that reason we believe that government agencies must take the initiative in establishing marketing facilities. We suggest therefore that the government establish a central marketing organization, operated in the interests of producers, with facilities for warehousing, cold storage, transport, and finance. The capital for such an organization might be provided in part by the government and in part by the sale of bonds at home or abroad. This marketing organization should be made responsible to the Development Commission in case this latter body is established. Provision should be made for the gradual acquisition of ownership by the cooperatives which it would serve. Close relationships between this marketing corporation and the agricultural bank suggested in Chapter XIV should be established and all the short-term borrowing necessary for the corporation should be provided by the bank. Direct loans made by the bank to agricultural credit associations or others should, whether or not at the instance of the corporation, be conditional on an undertaking by the producer to market through the corporation. The latter would reimburse the bank for its loan out of the proceeds of the sale of products.

The corporation would be forced by competition to arrange for advances to producers during the growing period of crops, but it should attempt to build up the cooperatives for which it acts so as to shift this task to them as rapidly as possible. A major task of the cor-

poration indeed would be education in, and promotion of, cooperative activity. Local initiative in this respect should be encouraged whether the cooperatives were organized on a community or a crop basis. Organization on a crop basis would be more immediately appropriate but community cooperatives could readily be assimilated into a comprehensive financing and selling agency.

A division of the corporation might be devoted to research and information. One of its principal functions would be to discover and develop markets; to learn the desires of consumers as to grading, packaging, and methods of sale; to impart this knowledge to producers and to insist on its application. A statistical, price, and crop reporting service would be required and this information, along with other educational activities, should be carried back to the primary producer. Every local cooperative should have daily price, market and weather reports by radio from the central agency and information on plantings, condition of crops, and the like should be made available as it accrues.

The section on research should not only devote its attention to the methods by which a properly diversified economy can be successfully established in Cuba, but should study the procedure of other countries in both production and marketing, and turn its conclusions over to the section on information for propagation.

Close contact should be maintained with the research and education division of the Department of Agriculture so that the activities of that body may not be duplicated. Supervision of the local cooperatives will be necessary and this might be attained through the Development Commission or the Extension Service of the Department of Agriculture.¹⁴

The cooperative is itself a great teacher and one of the earlier activities of the corporation will be to develop a trained personnel for the promotion of local cooperative units and their instruction in cooperative activities. Such cooperatives should be attached to the community centers. The way of the cooperative is not easy and a warning should be entered against excessive optimism and liberal extensions of credit. In the beginning a competent manager of long experience in cooperative marketing might be retained. The cooperatives should

¹⁴ In this connection the Jamaica Cooperative Marketing Association might be studied. In Law No. 6, November 1928, the Jamaican government authorized the Jamaica Banana Producers' Association to issue debentures not exceeding 5 per cent in interest and £200,000 in value to be applied to the purposes of the association. In Law No. 25 of 1930 the Jamaican government loaned £50,000 at 4 per cent to the Banana Producers' Association.

aim to include in their membership only the more intelligent and energetic farmers and to demonstrate to these men the advantages which they can thereby attain. Small producers need, but do not have, the facilities for education and research, not only in agricultural technique but in marketing, which are open to large business units. This service can probably be supplied only by governmental activity, and its proper use depends on an intelligence comparable not to that of the rank and file of workers in large-scale enterprises but to that of the managers of important business organizations.¹⁵

5. Tariff Policy and Commercial Treaties

So long as the quota system for sugar prevails, protection seems destined to have a more or less permanent place in Cuban economy. The quota system may yield a price sufficient to give the sugar worker a higher return than that received by workers in articles produced on an unprotected market. Nevertheless, the restrictions on production imposed by the quota will dam the flow of labor into cane production which otherwise would take place as the price of sugar increased and thus prevent the equalizing effect on wages of all types which such a flow would bring about. Some form of protection may be desirable therefore not only to obviate a possible undue wage discrimination against workers in the non-sugar crops but more probably to prevent the exploitation of sugar workers through the payment of wages much lower than the price of sugar would justify. A policy of protection should operate to offset some of the possible adverse effects of sugar quotas upon general wage levels.

Nevertheless the form of protection applied by Cuba since 1927 has been extremely defective. Excessive duties have been applied without regard to their effect on the cost of living generally; in many cases they have been imposed to benefit political favorites. The history of the United States also shows that the principle of protection may be easily abused. To prevent such abuses, the Cuban government would do well to adopt tariff principles recommended by the Montevideo conference of December 1933, one of which provided that protective duties should be eliminated which have been in effect for a considerable period of time without having brought about domestic production

¹⁵ Mr. Zimmerman makes the reservation: "Most government experiments in marketing have resulted in losses, and the carrying out of this program will probably have the same result. A study of marketing with popularization of beneficial conclusions would probably be as far as the public agencies could go without loss."

equal to 15 per cent of the total domestic consumption. It might also be well to adopt the principle that no protective duties higher than 50 per cent ad valorem should be enacted. Cuba should, moreover, carefully study the question whether universal articles of daily consumption, such as rice, should be subject to any but moderate duties.

In view of the fact that Cuba has concluded commercial agreements with two of its leading customers—the United States and Spain—it is not improbable that Great Britain will take steps to negotiate a trade agreement with Cuba. Great Britain is Cuba's second best customer and, despite the British policy of subsidizing domestic sugar production, British purchases of Cuban sugar have steadily increased. Nevertheless, Great Britain buys much more from Cuba than it sells. For the eight years preceding 1932 British purchases from Cuba averaged \$30,448,625, while Cuba imported from Great Britain an average of only \$9,280,000. Largely as a result of the Cuban tariff of 1927, British exports of condensed milk, vegetables and cottonseed oils have entirely disappeared. It is not impossible that in the future Great Britain, if dominated by nationalistic considerations, will demand that Cuba make concessions on British goods so as more nearly to equalize trade between the two countries. A previous chapter indicates that the trade agreement between Cuba and the United States leaves the door open for such concessions. It should be remembered, however, that any effort to offset Cuban exports to Great Britain by Cuban imports from this source may destroy so-called triangular trade of great value to the British Empire. For example, during the eight-year period, 1925-1932, Indian shipments of rice to Cuba equalled and in some cases exceeded the total value of all exports to Cuba from the United Kingdom. On the other hand, India imported practically nothing from Cuba. The latter country was able to pay for this rice only with the exchange derived from an export surplus to Great Britain or other countries.

The trade between Cuba and other countries deserves serious study, particularly in the case of Latin America. At one time Uruguay exported large quantities of *tasajo* (jerked beef) to Cuba, and purchased relatively small quantities of *aguardiente* (liquor), tobacco and other products in return. Cuba sacrificed this trade in order to develop domestic *tasajo*, an effort which has met only with indifferent success. Should Cuba be willing to return to the 1927 duty on *tasajo*, Uruguay might be willing to purchase say 5,000,000 litres of sugar *aguardiente*

annually from Cuba.¹⁶ Even greater possibilities would seem to exist in the Caribbean. Cuban shoes should find an increasing market in Central America; Cuban food and dairy products should be consumed in Puerto Rico, thus freeing the latter territory from dependence on higher-priced imports from the United States. The trade agreement of August 1934 between Cuba and the United States contains a provision designed to assure to Puerto Rico the lion's share of Cuban coffee imports if, because of hurricane and other factors, the Cuban coffee crop is damaged. For the time being, however, this provision is not likely to be of much importance; moreover, it does not facilitate the purchase of Cuban goods by Puerto Rico, and this end cannot be accomplished so long as the United States follows its present tariff policy toward Puerto Rico. One means for assisting the difficult social problems of this territory and of increasing Puerto Rican-Cuban trade would be for the United States to grant tariff autonomy to Puerto Rico, thus making it possible for Puerto Rico to conclude a commercial agreement directly with Cuba.

To study and administer the problems relating to the tariff and commercial treaties generally, the new Development Commission might create a section devoted to tariffs, or the Cuban government could follow the example of many countries and establish a tariff commission.

Summary

To summarize, a reconstruction program in Cuba might have the following features:

1. A plan under which each sugar *central* would set aside the use of its land for sustenance purposes, and appoint a full-time food production manager.
2. A government system of agricultural education, to be developed gradually into a community center plan, including public nursing and social welfare.
3. A scientific soil survey, extending over a period of eight years.
4. The development of a forestry program by the government and private enterprise.
5. A land policy under which the government would acquire land for colonization purposes by voluntary cession, judicial action to re-

¹⁶ Cf. Benjamín Fernández y Medina, *Porqué debe celebrarse el tratado de Cuba con el Uruguay* (Havana, 1932). Dr. Fernández y Medina is Minister of Uruguay in Cuba.

cover land illegally held, obligatory purchase, and the imposition of a tax on unused land.

6. A provision making it possible for any *colono* to purchase his land on the instalment plan directly from the private owner.

7. The development of government colonization projects for the purpose of providing sustenance crops (a) to workers deriving some cash income from an already established industry, (b) to farmers developing new sources of cash income through general farming and dairying, (c) to unemployed or partially employed workers attached to villages and cities.

8. The development of a limited number of new industries, following careful research and the opening-up of markets.

9. The establishment of a government marketing organization, financed by a government agricultural bank, and the development of local cooperative associations.

10. A moderate tariff policy including the negotiation of new commercial treaties.

CHAPTER XXI

SUMMARY AND CONCLUSIONS¹

The overthrow of the Machado dictatorship aroused the hope of many Cubans and Americans that the Republic of Cuba had entered on a new period in its history. The revolt of 1933 was directed not only against Machado personally, but against the economic and political systems which he had come to symbolize. This revolt was accompanied by a widespread demand to end the instability of the old economic system, raise the living standards of the masses, and give the Cubans a greater degree of control over their own resources. There was also evident an urgent desire for the termination of the irresponsibility, unproductiveness and corruption which had existed under the old political system.

I. Summary of Recommendations

Although Machado and his régime have passed, Cuba is still confronted with serious difficulties of an economic and political nature, on whose solution the future of the Republic depends. From the economic point of view, Cuba now has an opportunity to reorganize its economy so as to provide more adequately for the minimum wants of its people.

Largely as a result of the new commercial policy of the United States, the Cuban sugar industry has been saved from further decline. Nevertheless, Cuba cannot expect to market in the predictable future more than 3,000,000 tons of sugar, although its present economic system is equipped to produce more than 5,000,000 tons. Hereafter the sugar mills will grind probably not more than two or three months a year. During this period they will employ a full complement of labor; but for the remainder of the year, known as the dead season, a large proportion will receive no employment from the sugar industry. The most important task before Cuba is to develop non-sugar crops to take the place once held by sugar, develop sustenance farm-

¹ Mr. Zimmerman coincides only with the first portion of this chapter, which is a restatement of conclusions from the other chapters. He does not feel willing to give an opinion on sections two and three.

ing to support the country population during the dead season, and create an agricultural middle class. Cuba has ample resources for these purposes and for the development of new exports and industries without adversely affecting sugar or any other established industry.

In this report the Commission has surveyed in some detail the needs of the Cuban people, and has indicated the importance of developing public health, education and social welfare. Such development in part depends on the increase of economic activity. While the reconstruction of Cuba cannot take place without reliance on foreign trade, fundamental measures of internal readjustment have become necessary. In shaping its recommendations concerning these subjects, the Commission has been unable to accept either the view of certain interests that economic recovery should be left entirely in the hands of private enterprise, or the view of radical thinkers that the Cuban government should embark on a program of complete socialization. The task of meeting the economic needs of Cuba cannot be left to private capital. The problem of the dead season, and of improving rural life requires long-range planning on the part of the Cuban government. At the same time the Commission is not blind to the defects which in the past have permeated the island's political life, and it has wished to avoid saddling the government with premature responsibilities in fields not of immediate and fundamental importance to the welfare of the people. The program advanced in this report, in the opinion of the Commission, is of a type which the Cuban government may successfully undertake, provided it has the will to carry out a program of social and economic reconstruction. Should the Cuban government fail to inaugurate a program of reconstruction, the recent change in the commercial policy of the United States may tend to resurrect the old economic and political system which the revolution attempted to overthrow. The question whether the United States will perpetuate its latest tariff reductions may depend on the extent to which the Cuban government attempts to distribute the benefits of such reduction among the Cuban people generally.

Some of the more important recommendations advanced by the Commission may be summarized as follows:

1. A land policy under which the Cuban government would acquire land for the purpose of developing small holdings, making compensation in internal bonds or cash.

2. The development of a program of diversification by (a) establishment of agricultural colonies, (b) promotion of agricultural research and education,

(c) creation of a marketing organization under government auspices, (d) adoption of a scientific tariff policy.

3. The development by the Cuban government of a program of agricultural education, public health nursing, medical research and social welfare.

4. A soil survey, initiated with the assistance of foreign surveyors, for the purpose of providing a scientific basis for diversified agriculture, forestry and dairying; and for the development of independently owned small farms.

5. The enactment of legislation requiring each sugar *central* to set aside land on which its workers may produce food, and to appoint a full-time sustenance manager to develop food production.

6. An international sugar agreement under which leading sugar-importing countries would agree to adopt the quota system of the United States and under which the life of the Jones-Costigan Act and the Chadbourne plan would be extended. The chief purpose of such an agreement would be to increase the world price for sugar.

7. The imposition of a tax on unused land for the purpose of encouraging the development of millions of acres of uncultivated areas in private hands, and also of a progressive export tax on sugar for the purpose of increasing revenue and imposing a brake on undue expansion of sugar following a marked price increase.

8. The establishment of an Agricultural Bank to encourage diversification and local cooperative associations.

9. The adoption of a dollar-exchange currency system, which would give Cuba a safe and equitable national currency and which might yield to the Cuban government an initial profit of about \$15,000,000 and an annual revenue of a million dollars.

10. The establishment of a Public Utilities Commission, to have jurisdiction over light, power, telephones, railways and highways.

The adoption of these or similar measures would improve the condition of the sugar industry, provide the government with greater revenue, and bring about the development of a growing number of independent small farmers. Many of these measures are aimed at the immediate problem of sustaining the population during the so-called dead season; some are of a character which the Cuban government could initiate at once. At the same time, these measures would serve as guide posts for the gradual re-orientation of Cuban society. Such a re-orientation involves the development of Cuban enterprise and resources; it also involves the improvement of public health, education and community life especially for the masses of the people who now live in deep impoverishment and, in many cases, semi-starvation.

In this report the Commission has suggested that the Cubans engage the services of a few foreign experts in connection with the installation of a system of government accounting, public utility regulation, soil survey and agricultural banking. Numerous objections to the employment of foreign experts have been raised in the past, and

we sympathize with these objections. Some of these experts were indirectly representatives of the American government or powerful financial interests, and their advice was consequently suspect. Some of them charged excessive fees. This type of expert may of course do Cuba more harm than good. At the same time Cuba is in need of competent scientific assistance and should not hesitate to obtain it from all available sources if the result is to be beneficial to the country. For the purpose of training technicians, Cuba should establish the necessary institutions as quickly as possible and send qualified Cubans abroad for a period of study. Eventually Cubans will have the technical equipment needed for every phase of a reconstruction program. In the immediate future, however, the Commission believes that Cuba would profit from the employment of a small number of foreign assistants, having not only academic knowledge but years of practical experience. They should be private persons, selected in complete independence of any foreign government and after consultation with the best scientific societies in the world, the technical bodies of the League of Nations and the International Labor Office. Recognizing the value of such assistance, some of the most important government institutions of the world have made use of foreign experts within recent years. The Bank of England has employed American economists, Soviet Russia has made use of countless foreign experts, Fascist Italy has welcomed the medical assistance of the Rockefeller Foundation. In the light of these examples and in view of the pressing needs of Cuba, the Commission makes its suggestions regarding expert assistance, fully confident that they will not be misconstrued.

2. The Political Problem

While this report has been concerned primarily with economic and social problems, it cannot avoid the fact that the solution of these problems will depend largely on whether Cuba has a government which is dominated by a desire for, and has the capacity to carry out, measures of reform. The mounting difficulties of the government in maintaining order during the past year, and in reorganizing the constitutional structure of the country, would indicate that the political problem is far from solved.

It is the hope of the Commission that some means may be successfully found for establishing a constitutional régime in succession to the provisional government—and a régime which has a desire to carry out fundamental reconstruction measures.

Once this immediate problem is solved the question will arise whether the traditional forms of political and administrative machinery are adequate to cope with the new problems confronting the country. As indicated in Chapter I, the old political system contained many serious defects which must be corrected if Cuba is to undertake a reconstruction program. Obviously, the fundamental solution of Cuba's political and social problems lies in an improvement in public morals and the development of a well-informed, public-spirited opinion. Once such improvement takes place, many of the defects in Cuba's traditional system will be eradicated. Cubans, therefore, should continue to strive for honorable elections, a permanent and efficient administrative service unhampered by partisan manipulation, rigorous accountability for the expenditure of government funds, and the development of political parties having the interests of the country at heart. It cannot be denied, however, that the process of purifying and improving the administration will be long and difficult. It is doubtful whether this end can be realized until after the standard of living and literacy of the people have been improved. In the absence of such improvement there is always the danger that the traditional political machinery of democracy will be unscrupulously exploited by the professional politician.

Nevertheless, as we emphasized in the first chapter, Cuba today has many able and honorable citizens, both men and women, who are vitally interested in the welfare of their country, and who have already demonstrated their personal capacity and ability to unite in various cooperative enterprises. From the point of view of carrying out a reconstruction program, it is particularly important to establish administrative machinery which will enlist the services of these individuals and groups who, under the traditional forms of parliamentary government, have been virtually excluded from political power. Toward this end it might be possible to establish some autonomous body, aloof from the vicissitudes of partisan politics and dominated by non-political members, to whom the task of a reconstruction program could be entrusted.

We repeat that a reconstruction plan can fully be carried out only if it enlists the support of Cubans from every class. But if a devoted group of Cubans are determined to initiate this plan, its growth will gradually but inevitably bring about the development of a new civic sense and a constructive patriotism on the part of the mass of the people.

3. *Relations between Cuba and the United States*

By revising its commercial policy and agreeing to abrogate the Platt Amendment, the United States has attempted to make a contribution to the reconstruction of Cuba as well as to revive its own export trade. The Commission, however, found in Cuba numerous indications of antagonism regarding recent acts of the American government.

No doubt it may be possible to exaggerate the importance of such manifestations, for in the past, largely as a result of the Platt Amendment, many political leaders have been in the habit of blaming the United States for internal ills. Some of the most distinguished and disinterested Cubans, however, dwell on the necessity for changing the atmosphere in the relations between Havana and Washington. Inasmuch as we have not hesitated to examine critically many internal aspects of Cuban life, we believe it only just similarly to examine Cuban-American relations in an attempt to determine whether they can be improved.

The fundamental obstacle to good relations between Cuba and the United States is the widespread belief in Cuba that the American State Department attempts to make and unmake governments, and that the present disturbed situation is an outgrowth of a plan for provisional government which Washington induced the Cubans to accept.

The original mediation of the American government between President Machado and the opposition was of an unusual nature, but it may have been justified by the desire to lay a stable foundation for the abrogation of the Platt Amendment. While this mediation failed to achieve its original purpose—to secure the withdrawal of President Machado by peaceful means—it did contribute to his overthrow. Washington played an important part in the subsequent establishment of a coalition government under Dr. Céspedes. This government, however, lasted only twenty-one days. It was then supplanted by the Grau government, many of whose members had opposed American mediation. The United States, as pointed out in Chapter I, not only declined to recognize the Grau government, but the American Ambassador in Cuba aggressively opposed it. Whatever the defects of that government, they did not, in the opinion of the Commission, justify the course followed by the United States. Had Washington followed a policy of neutrality toward the Grau régime, this régime would either have succeeded in gaining the support of the more stable elements in

the country or left office without involving in any manner the responsibility of the United States. As a result of the course actually followed, however, the American government is regarded in many circles as being responsible for its overthrow—a belief which has caused considerable bitterness. The resentment of many Cubans has been increased by the accusation that the Mendieta coalition, which succeeded Grau, was and is largely the creature of American diplomacy. It is pointed out that Washington extended recognition to President Mendieta five days after he took office, although it had denied recognition to President Grau who stayed in office four months. Consequently, many Cubans doubt whether the termination of the Platt Amendment marks the end of American intervention in their affairs. They fear that such intervention may be continued in other and less responsible forms, and that the present government will stay in office only so long as it enjoys American favor. Had the provisional government met fewer difficulties in establishing order and laying the foundation for a future constitutional régime, the United States might have escaped with less criticism. Today Cuba is witnessing continuing acts of disorder, and the spirit of constructive patriotism which dominated the island more than a year ago has given way to a sense of frustration. Such developments might possibly have taken place no matter what type of government was in power. The conclusion cannot be avoided, however, that the interference of the United States in an internal revolutionary struggle has been a factor in creating Cuba's present situation.

The experience of recent American Ambassadors would indicate that the advice they have given Cuban political leaders frequently leads to misunderstanding. When an American diplomatic representative even indirectly advances a solution for internal political difficulties, public opinion is tempted to fasten on him a moral responsibility for the success of the proposal should the government adopt it. If Cuba is to stand on its own feet, Cuban leaders should make their own decisions.

The recent Pan-American Conference at Montevideo adopted a convention on the rights and duties of states which declared that states are juridically equal, enjoy the same rights, and have equal capacity in exercising them, that no state has the right to intervene in the internal or external affairs of any other, and that the territory of a state may not be the object of any measures of force imposed by another state directly or indirectly. The Commission hopes that the

United States will apply the spirit of this convention to its relations with Cuba, and that the ambiguous activities of American diplomats in influencing the internal composition of governments will come to an end.

The political relations between Cuba and the United States, moreover, are complicated by a deep-seated social question in Cuba which frequently creates an alignment between Cuban labor, whose only appeal is to the Cuban government, and North American capital, which appeals for protection to the Havana embassy. The Commission does not propose that the United States surrender the right of diplomatic representation on behalf of any legitimate private interest, but it does believe that American diplomacy should be particularly careful in maintaining an impartial attitude toward disputes involving capital and labor and in cultivating the friendship of every political and social group in Cuba.

The inauguration of the New Deal between Cuba and the United States may be hastened if the American government adopts further steps, the first of which relates to recognition policy. To avoid the recurrence of recent incidents, the United States would do well to study the Estrada policy of recognition originated by the government of Mexico. Under this policy the United States would not attempt to grant recognition to or withhold it from any régime, as it has recently done in Cuba, but merely maintain or recall its diplomatic agents whenever it appeared desirable, "without questioning, either precipitately or *a posteriori*" the right of foreign countries to change their governments.²

Secondly, the United States should consider the policy of surrendering its lease of Guantánamo. A number of Cubans find it difficult to reconcile the American base at Guantánamo with an independent status for the Cuban Republic.³ This base which the United States

² Cf. "The United States and Central American Revolutions," *Foreign Policy Reports*, July 22, 1931, p. 203.

³ The agreement of February 16, 1903 also gave the United States a lease of Bahía Honda. In an agreement of December 27, 1911, the United States offered to surrender the lease of this second bay and to increase the annual rental to the Cuban government in return for enlarging the area of the Guantánamo base, but this agreement was not ratified. Article III of the Agreement of May 29, 1934 provides that "until the two contracting parties agree to the modification or abrogation of the stipulation of the agreement in regard to the lease to the United States of lands in Cuba for coaling and naval stations signed by the President of the Republic of Cuba on February 16, 1903 and by the President of the United States of America on the 23rd day of the same month and year, the stipulations of that agreement with regard to the naval station at Guantánamo shall continue in effect. . . ." Since the lease of Bahía Honda is not mentioned, it is presumably surrendered. The United States, however, is not given credit by Cuban opinion for this act, if it has taken place, because the surrender is not directly made.

holds on perpetual lease is several days' sailing from Havana and some distance from Cuba's second largest city, Santiago. Nevertheless, its presence on Cuban soil remains an anomaly. If the United States lacked other good harbors on North American territory in the Caribbean or the Gulf of Mexico, the retention of the Guantánamo base might be supported on the grounds of self-defense, but there are a number of other harbors such as Vieques Sound which could be used as a base. In our opinion the United States government should seriously consider whether the retention of Guantánamo will not cost more in political misunderstanding than it is worth in military strategy.

Finally, the government should develop the policy of restricting the use of troops and marines, in time of acute disorder and threatened chaos, to the specific purpose of evacuating foreigners from a few port cities in the disturbed area. The Roosevelt administration showed commendable restraint in not landing marines in Cuba during the repeated crises of the last two years. Nevertheless, the good effect of this policy on Cuban opinion was to a certain extent dissipated by the fact that American warships remained in Cuban waters for almost a year.

In an era marked by increasing international tension, resurgence of imperialism in many parts of the world, increasing competition in armaments, and the at least temporary collapse of peaceful methods of international cooperation, we think it highly significant that the United States has voluntarily severed its political ties with Cuba, and taken steps to promote Cuba's economic well-being. The additional measures here proposed would carry to fruition the policies recently inaugurated by the American government.

At the same time it is to be hoped that henceforth the people of Cuba will employ, in supporting measures of reconstruction, the capacity for self-reliance and heroism which they utilized against the rule of Spain and Machado, and that they will assume full responsibility for the development of a new and better national life.

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* Subject to reservation. Cf. Index.

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GLOSSARY

aguardiente	spirituous liquor from sugar cane
arroba	measure of weight, 25 pounds
asientos	concessions
Auténticos	members of the <i>Partido Revolucionario Cubano</i> (Gru Party)
ayuntamiento	city hall; municipal government
barracones	barracks for housing itinerant workers
batey	land and buildings immediately adjoining the sugar mill
beneficencia	welfare
bodega	retail grocery
bohío	peasant hut
botella	political sinecure
caballería (cab)	measure of area, 33½ acres
carretera (central)	highway; (Central Highway)
central	central; sugar mill
colonia	farm of a sugar planter
colono	sugar planter
cordel	measure of length, 22¼ yards
finca	small farm
fonda	eating place; inn
guajiro	peasant; small farmer
hacendado	landowner; large farmer
hacienda (Secretaría de)	plantation, estate; (Treasury Department)
huelga	strike
ingenio	sugar-grinding mill
instituto	institute; secondary school
junta	council, board
latifundia	large land holdings
latifundismo	system of large land holdings
Machadato	period of Machado's presidency
mayoral	field overseer
mestizo	person of mixed blood
municipio	municipality
quinta	country seat, villa; clinic
sabanas	savannas, grassy plains
Sociedad Anónima	corporation
tercio	bale of tobacco weighing approximately 150 pounds
Tribunales de Urgencia	Emergency Courts or Tribunals
vales	IOU's
zafra	the sugar crop; more specifically, its harvesting and grinding

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